UPDATE ON PANAMA SITUATION

HEARING

BEFORE THE

SUBCOMMITTEE ON
PANAMA CANAL/OUTER CONTINENTAL SHELF

OF THE

COMMITTEE ON
MERCHANT MARINE AND FISHERIES
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

AN INQUIRY INTO THE DETERIORATING POLITICAL SITUATION IN THE REPUBLIC OF PANAMA AND ITS IMPACT ON THE PANAMA CANAL AND ON HOW THE ONGOING CRISIS WITHIN PANAMA HAS AFFECTED U.S. EMPLOYEES OF THE PANAMA CANAL COMMISSION

MARCH 10 AND APRIL 20, 1988

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CONTENTS

	Page
Hearings held:	
March 10, 1988	1
April 20, 1988	69
Statement of:	
Abrams, Elliott, Assistant Secretary for Latin America, Department of State	35
Prepared statement	57
Bentley, Hon. Helen Delich, a U.S. Representative from Maryland	75
Prepared statement	77
Bosco, Hon. Douglas H., a U.S. Representative from California	7
Brennan, Hon. Joseph E., a U.S. Representative from Maine	5, 75
Coble, Hon. Howard, a U.S. Representative from North Carolina	7, 75
Cook, Rebecca, PAC 0828, Washington, DC	82
Davis, Hon. Robert W., a U.S. Representative from Michigan	4
Derby, Michael, counsel, MEBA–NMU, Washington, DC	79
Fields, Hon. Jack, a U.S. Representative from Texas	2, 70
Gianelli, William R., Chairman, Panama Canal Commission	19
Jones, Hon. Walter B., Chairman, Committee on Merchant Marine and Fisheries	6, 74
McAuliffe, Dennis P., Administrator, Panama Canal Commission	21
MEBA/NMU (prepared statement)	108
Oakar, Hon. Mary Rose, a U.S. Representative from Ohio (prepared statement)	65
Pastorino, Robert S., Deputy Assistant Secretary for Inter-American Affairs, Department of Defense	36
Shumway, Hon. Norman D., a U.S. Representative from California	5
Sosa, His Excellency Juan B., Ambassador of the Republic of Panama	8
Tauzin, Hon. Billy, Chairman, Subcommittee on Panama Canal/Outer Continental Shelf	1, 69
Weldon, Hon. Curt, a U.S. Representative from Pennsylvania	7
Additional material supplied:	
Panama Canal Commission: Treaty related payments to the Government of Panama	56
Subcommittee staff: Background brief	51
Communications submitted:	
Jones, Walter B.; W.J. (Billy) Tauzin; Robert W. Davis; and Jack Fields: Letter of March 2, 1988, to the President	54
Subcommittee staff: Memorandum of April 18, 1988, to members	105
Tauzin, Billy: Letter of March 7, 1988, to President Ronald Reagan	55

UPDATE ON PANAMA SITUATION

THURSDAY, MARCH 10, 1988

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON PANAMA CANAL/OUTER CONTINENTAL SHELF, COMMITTEE ON MERCHANT MARINE AND FISHERIES,

Washington, DC.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1334, Longworth House Office Building, Hon. Billy Tauzin (chairman of the subcommittee) presiding.

Present: Representatives Tauzin, Foglietta, Bosco, Brennan, Hubbard, Jones, Fields, Shumway, Bentley, Coble, Weldon, Davis, and Young.

Staff present: Roy Willis, Roxana Chahin, Harry Burroughs, Dave Whaley, George Pence, Ed Welch, Cher Brooks, Barbara Cavas, Gwen Lockhart, Duncan Smith, and Sue Waldron.

STATEMENT OF HON. BILLY TAUZIN, CHAIRMAN OF THE SUBCOMMITTEE ON PANAMA CANAL/OUTER CONTINENTAL SHELF

Mr. TAUZIN. The meeting will please come to order.

Ladies and Gentlemen, the deteriorating political situation in the Republic of Panama is of great concern and continuing interest to this subcommittee, not only because we are charged by the House of Representatives to oversee the operations of the Panama Canal, but also because the people of the United States have always had a special relationship with the people of Panama.

In the face of this crisis, our first task is to insure the continuous and efficient operation of the Panama Canal.

However, we are naturally concerned for the safety of all Americans, both military and civilians, who reside in Panama. This committee is alarmed by the detention of military personnel by Panamanian police. We also have heard from civilians working in Panama that they are increasingly concerned for their own safety.

Even with the paramount interest we have for the safety of American citizens and the free flow of international commerce through the canal, this committee, and all Americans, are severely distressed by the loss of democratic government in Panama, the deprivation of civil rights and the economic hardships being suffered by the people of Panama.

It is my personal view that the root of these problems and concerns is of course none other than the continued presence of General Manuel Noriega, who has made it clear that he will take whatever steps he can to establish himself as an absolute military dictator, a position from which he can continue to exploit the sovereign-

ty of Panama to the benefit of underworld drug cartels and his own personal ambitions.

This week, we have seen in gruesome detail the lengths to which he will go in an effort to quash mounting domestic opposition; the use of violence, turning shotguns, tear gas and water cannons against the people of Panama who are courageously standing up for democratic rule.

Less than a month ago, he manipulated the ouster of President Eric Arturo Delvalle who had dismissed Noriega as head of the Panama Defense Forces following his indictment on racketeering and drug charges here in the United States. President Delvalle has, of course, continued to direct efforts to re-establish civil rule in Panama.

Should we be surprised, then, that Noriega has lied to the good people of Panama, telling them that only he will make sure the Americans live up to the Panama Canal Treaty. The truth of the matter is that Noriega is probably the one man who threatens continued operation of the treaty. As long as Noriega remains in power, there will be continued pressure from within the United States to review and reassess our relationship with the Republic of Panama.

We will hear today from the Panamanian Ambassador to the United States, Juan Sosa. His Excellency, Mr. Sosa, who was appointed by President Delvalle, has been active in keeping the Panamanian torch of freedom and liberty alive. We look forward to having his special perspective on the situation in Panama.

We will also hear from the Panama Canal Commission Chairman, Mr. Gianelli, the Panama Canal Administrator, D.P. McAuliffe, and Commission Secretary Michael Rhode, Jr. The Commission, like all U.S. organizations in Panama, are charged under this treaty not to intervene in Panamanian domestic affairs. During the current unrest, that charge becomes even more critical, as does its primary task of insuring the continuous and efficient operation of the Panama Canal.

Also appearing today are Mr. Elliott Abrams, Assistant Secretary of State for Inter-American Affairs, and Mr. Robert Pastorino, Deputy Assistant Secretary of Defense for Inter-American Affairs.

Before we hear from His Excellency, Ambassador Sosa, we will invite statements from members of the subcommittee. We will begin with the Ranking Minority Member, the gentleman from Texas, Mr. Fields.

STATEMENT OF HON. JACK FIELDS, A U.S. REPRESENTATIVE FROM TEXAS

Mr. FIELDS. Mr. Chairman, thank you very much. And I'd like to thank you for scheduling this important and timely hearing.

I'd also like to join you in welcoming to our subcommittee, Ambassador Juan Sosa. Ambassador Sosa is not only the legitimate representative to Washington from the Republic of Panama, he is also the legitimate representative of those Panamanians who yearn for freedom and democracy in that troubled nation.

Mr. Ambassador, I want you to know that your testimony here today is deeply appreciated by our subcommittee. I hope you will

extend our warmest regards to the President of Panama, the Honorable Eric Arturo Delvalle. President Delvalle has demonstrated great courage in recent weeks concerning the relationship between the United States and Panama and the strain as long as General Noriega continues to serve as Commander in Chief of the Panama Defense Forces. President Delvalle asked him to resign, and then ordered his removal. President Delvalle realizes the risk involved in doing so, risk to his political standing, and also his personal safety, and while President Delvalle's efforts to remove General Noriega appear to have been unsuccessful at least for the moment, the President has shown himself to be a man of peace, and vision, and a man who refused to see democracy die in Panama.

General Noriega, on the other hand, has shown utter contempt for democracy and the rule of law. He is a despot, and a tyrant. He is a common drug dealer who kills American young people, while at the same time delivering his country into the hands of the leaders of an international drug cartel.

And I believe strongly that the Panamanian people, themselves, must decide their future. But I believe just as strongly that the United States can and should play a constructive role in encouraging Panama to schedule free and fair national elections to which civilian control can once again be restored.

Those of us in Washington may debate the exact nature of that constructive role for our Country, but there is no debate about the fact that General Noriega must go. Because only after he resigns as head of the PDF will the United States be able to once again assist the good men and women of Panama in building a better future for themselves and their children.

Mr. Ambassador, I look forward to hearing your views on how the United States and other democratic governments can expedite the removal of General Noriega and to restore freedom to the men and women of Panama.

In particular, I would appreciate your thoughts on proposals to withhold certain Panama Canal payments from Panama until a civilian government can be restored, as well as your thoughts on a proposed trade embargo between the United States and Panama.

Finally, Mr. Chairman, I would suggest that the United States must send a very strong message to General Noriega, a signal that is so strong and so clear that he cannot help but notice it. That signal would tell General Noriega to keep his hands off the Panama Canal, and that thousands of American Nationals, who live and work in the Canal Zone. While the United States has no desire to abrogate the Panama Canal Treaties, we will not sit idly by while Americans are harassed and threatened.

Mr. Chairman, I again want to thank you and I look forward to the testimony of our distinguished witnesses.

Mr. TAUZIN. I thank the gentleman from Texas, who's been most cooperative in efforts for this hearing, and also in the legislation that we will discuss today with reference to withholding payments to the Government of Panama.

We are also privileged to have with us the Ranking Minority Member of the Full Committee, Mr. Davis. And Mr. Davis, we'll invite your comments at this time.

STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM MICHIGAN

Mr. DAVIS. Thank you, Chairman Tauzin. I would like to commend you and Mr. Fields, your ranking member for holding this very timely hearing. I might also say that I appreciate the opportunity to join with my colleagues, and I appreciate that courtesy.

I do think that it's important to bring together the major United States agencies and departments which are involved in the political developments in the Republic of Panama.

Today you're going to be hearing testimony from those agencies which are most directly affected by or involved in the development of the United States policy toward Panama. While this hearing will only cover those issues which can be discussed in an open forum such as this, I think that it is important that we get a clear picture of what the United States policy is and what it should be in the near future.

In the last two weeks, major political and constitutional battles have been waging in Panama. Charges have been made by President Delvalle, who is head of the government recognized by the United States as the legitimate government, that the National Assembly acted unconstitutionally in replacing him as president. The government currently in power which is backed by General Noriega counters that President Delvalle acted unconstitutionally when he dismissed General Noriega. Until these constitutional questions are answered, the United States has no choice but to recognize the democratically-elected Delvalle government.

General Noriega, the power behind the current government, has been accused of everything from election fraud to the involvement in transportation of millions of dollars worth of illegal drugs to the United States. He has been named in two separate indictments by the United States Federal District Court and has been dismissed from his position as Commander of the Panamanian Defense Forces. Yet he still remains in power.

The political problem is not the only one facing Panama today. Panama is currently facing an economic crisis which will create long-term scars domestically and internationally. Even after the political situation has settled down it will take a long time for the scars to heal.

In the last two weeks, the banking community, which has become a mainstay of the Panamanian business community, has been thrown into a tailspin. Many of the banks have been closed either because of the general strike called by the National Civic Crusade or because of a lack of United States dollars from their American-based headquarters. While this is having a desired effect of putting the monetary gun to General Noriega's head, it is also hurting the average citizen who cannot make everyday transactions.

While this committee's main interest is the Panama Canal, it is difficult to separate the Canal from the political atmosphere of the country. The Panama Canal Commission has done a magnificent job of maintaining the Canal's neutrality, but it may be only a matter of time before the Canal is affected by the political events within the country.

In our recently introduced legislation we attempted to walk the tight rope between the Administration's desire to recognize only the Delvalle government and our desire to keep the Canal operational and separate from Panamanian politics.

It is important that the Panama Canal remain neutral and operational for the world's shippers. It is also important for the Republic of Panama, and the people of Panama, that General Noriega step aside so that the legitimate government can return to power.

I'm also looking forward to hearing Ambassador Sosa's remarks, and thank you, Mr. Chairman, for your courtesy in allowing these proceedings at this time.

Mr. TAUZIN. Thank you, Mr. Davis.

We'll also take statements from any other member in order of appearance.

First the gentleman from Maine, Mr. Brennan.

STATEMENT OF HON. JOSEPH E. BRENNAN, A U.S. REPRESENTATIVE FROM MAINE

Mr. BRENNAN. Thank you, Mr. Chairman. I, too, would like to commend you for holding this hearing. It's certainly appropriate, and certainly very timely. And I think the list of witnesses are absolutely superb and I look forward to hearing from the Ambassador.

I think it is also quite important that we in the United States really focus on Panama. I think we have focused probably far too long on Nicaragua, and not as much on Panama, which is so important to the United States, the number of our dependents in the military and to our Congress. So, I'm delighted that you're holding this hearing.

Mr. TAUZIN. Thank you.

We'll now hear from the gentleman from California, Mr. Shumway.

STATEMENT OF HON. NORMAN D. SHUMWAY, A U.S. REPRESENTATIVE FROM CALIFORNIA

Mr. SHUMWAY. Thank you, Mr. Chairman. I'd like to join with you in your statement, and that of Mr. Fields. I think you've summarized the situation very well, and laid the foundation for a very enlightening hearing here this morning.

I think as we deliberate the affairs in Panama, we should make it clear that we have basically three large areas of concern. One, of course, deals with those Americans that are in Panama, the military forces, part of the Southern Command, as well as the many thousands of other Americans that are associated with the operation of the Panama Canal. Their well-being, and their future well-being is certainly a matter of concern to us all.

Secondly, I think that we obviously have a grave and rightful concern for the continued efficient operation of the Panama Canal, a vital link between the two nations and the effect that that has on international trade.

And then thirdly, I suppose, we have a concern about the people of Panama. Many members of this subcommittee have traveled to Panama. We've become friends with many citizens of that country.

We see them as warm, friendly people, and people who desire the same kind of democracy that we aspire for ourselves. And I think certainly that those people are being shortchanged and pushed aside by the current military forces in Panama, which are anything but democratic in their efforts.

It just seems to me that the current state of unrest in that country is really not compatible with orderly international trade. And that somehow the competing interests, that is the interests of General Noriega in establishing himself as a dictator, and the interest of international trade as it relies on the Panama Canal, are on a collision course. And there has to be, eventually, a yielding somewhere. And certainly from our prospective, I think that yielding has to be on the side of General Noriega.

It's going to be difficult for us to find an effective policy, but I'm hopeful that today as we listen to these very qualified witnesses, that they give us some help, and certainly from the Administration some information that will be necessary to help us effectively get behind American policy that will essentially assure our long term objectives in Panama, and get on with the desires and needs of those citizens.

So, Mr. Chairman, I'd like to commend you for convening this hearing. I think it's very timely, and I look forward to the testimony of the witnesses.

Mr. TAUZIN. Thank you very much.

We're very pleased to recognize the presence of the Chairman of our Full Committee, and with the permission of the gentleman from California, the Chair will now recognize the Chairman of the Full Committee, The Honorable Mr. Jones from North Carolina.

STATEMENT OF HON. WALTER B. JONES, CHAIRMAN, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. JONES. Thank you, Mr. Chairman.

The members of our committee have been to Panama many times. We know that Panama is the ally of the United States, and that the people of Panama yearn for civilian rule under a true democratic system.

The United States, its people and its government should be doing everything we can to support the people of Panama and the elected government there. Last week this committee led the charge to urge the President to put into escrow the payments to the Republic of Panama derived from the operation of the Panama Canal. I hope we will hear today that such an escrow account is being set up in order to keep the money out of the pockets of General Noriega.

Finally, I know that discussions are underway at the highest level of government about diverting Alaskan oil that now goes through a pipeline through Panama. This may be a wise move. But let me emphatically state, that this oil must, by law, be carried on United States Flag ships. There is no justification for awaiting a waiver of this law. There are plenty of U.S.-flag bandits that shouldn't be available to carry any oil diverted from the pipeline. In making foreign policy decisions we cannot forget our national commitment to our U.S.-flag Merchant Marine.

Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you very much, Mr. Chairman.
From Pennsylvania, Mr. Weldon.

STATEMENT OF HON. CURT WELDON, A U.S. REPRESENTATIVE FROM PENNSYLVANIA

Mr. WELDON. Thank you, Mr. Chairman. I also want to extend my congratulations to you for putting together an absolutely outstanding panel today, as well as by our ranking colleague, Mr. Fields.

I look forward to the testimony, and I will be looking for answers in two major areas. What should our long range policy be in terms of the situation in Panama as relates to the transfer of the Canal and the treaty itself in the possibility of Mr. Noriega not stepping on his own? And secondarily, what evidence, if any, do we have of a hidden agenda taking place in that region of the world, a hidden agenda that perhaps is being instigated by Mr. Castro and Mr. Ortega, and possibly even the Soviet Union? And what steps should we be considering legislatively to help protect our interests in that part of the world of the Canal itself and with the eventual implementation of the transfer of the Canal.

I thank you for this hearing and look forward to the testimony.

Mr. TAUZIN. Thank you very much.

The gentleman from California, Mr. Bosco.

STATEMENT OF HON. DOUGLAS H. BOSCO, A U.S. REPRESENTATIVE FROM CALIFORNIA

Mr. Bosco. Thank you, Mr. Chairman. And I also commend you and am looking forward to the testimony of Ambassador Sosa and others who will hopefully help us make some sense out of the situation in Panama.

We all are obviously upset over the political turmoil that's taken place in Panama. I'd like to later on, however, limit my questions to another subject that should be equally as upsetting, and that is that there's good evidence that in important ways the Government of Panama is breaching its duties under the treaty. The Canal is obviously very important to our country, both economically and militarily, and yet in at least two ways and in terms of maintenance, there's good evidence that the Panamanian government is not upholding its responsibilities under our treaty. And that will later on be the focus of my attention.

Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you very much.

Finally, from North Carolina, my good friend Mr. Coble.

STATEMENT OF HON. HOWARD COBLE, A U.S. REPRESENTATIVE FROM NORTH CAROLINA

Mr. COBLE. Thank you, Mr. Chairman. I'll concur with most of what has been said, particularly your statement and the gentleman from Texas, Mr. Fields, as well as Mr. Shumway. I thank you both for having held this hearing today.

I'll be very brief. Newspaper headlines in this country, Mr. Ambassador, as you know, have described Noriega as a drug thug. Well, that's an understatement. He's a big time drug thug, and as

he goes about dispensing his rat poison, the rats become richer and richer. So I'm concerned about that element. And I'm also concerned about the protection of Americans, in particular, and Panamanians as well in Panama. And I hope perhaps you might address this point: As American money, dollars, aid, call it what you will, treaty payments, continue to flow to Panama, I would like some sort of assurance that these monies don't ultimately find their way into the grasp of Noriega. So sometime if you can address that point, I would be appreciative.

Thank you, again, Mr. Chairman.

Mr. TAUZIN. Thank you very much, sir.

And now, ladies and gentlemen, we're very pleased to welcome to this committee, a gentleman who has exhibited extraordinary, I believe, courage and patriotism on behalf of his country, a gentleman who has been very cooperative with this subcommittee and its activities in maintaining the dependent free flow of commerce through the Panama Canal, and our good relationship between our two countries and our two peoples.

We'll now hear from our good friend, His Excellency, Ambassador Sosa.

STATEMENT OF HIS EXCELLENCY, JUAN B. SOSA, AMBASSADOR OF THE REPUBLIC OF PANAMA

Ambassador SOSA. Thank you very much, Mr. Chairman.

Mr. Chairman, members of the subcommittee, I am Juan Sosa, the Official Ambassador to the United States of the Government of President Delvalle. I am pleased to have this opportunity to appear before this distinguished committee of the U.S. Congress as you look into the political problems in Panama and the threat these problems might present to Canal operations.

Let me assure you, Mr. Chairman, that the Delvalle government respects all aspects of the Panama Canal Treaty and will continue to observe the letter and intent of its provisions.

The Canal provided an important service to the international shipping community and it is in my government's interest to assist in any way it can to foster that efficiency of operation. We Panamanians very much want to keep the Canal operation separate from any political problems or influences so that it can remain a truly international waterway. In this regard, I want to assure this committee and the American public that when the legitimate government of Panama, headed by President Delvalle, is restored to power, we will resume working together with the government of the United States in order to ensure the continued safe, efficient operation of the Canal.

Panamanians have a high stake in the Canal. We want the international shipping community to continue to use the Canal in both the immediate and long terms. General Noriega obviously does not understand or care about the importance of the Canal or Panama's future because, if he did, Mr. Chairman, he would have stepped down as head of the unconstitutional military government claiming to represent Panama. President Delvalle cares. He understands the importance of the Canal to not only Panamanians, but to the world

and Panamanians, under his leadership, would fight to protect it and maintain its neutrality.

A final word, Mr. Chairman, and then I will be available to respond to questions from you and other members of the subcommittee—the Panamanian people are proud people. They want the Treaty to work. They want to show the world that we can operate the Canal efficiently and safely. But first, democracy must reassert itself in our country. Once that important event happens and the country has free elections so that the people might speak, I believe great things will happen regarding our country and its standing in the international arena.

Mr. Chairman, that completes my short opening statement and I will now be happy to answer any questions you or other members may have. Thank you very much, sir.

Mr. TAUZIN. Thank you, Mr. Ambassador.

Mr. Ambassador, we're very aware, of course, that certain economic sanctions have been imposed and others are being proposed with regard to the government that has been installed under the power of General Noriega. One of the questions members of Congress have asked, members of this subcommittee, that we might ask of you, is what is the effect of those economic sanctions on public opinion in Panama itself?

Ambassador SOSA. The economic sanctions and reactions that Panamanians have had a very good effect in the morale of the people. For the first time, the people of Panama see that the end is near. They understand that sanctions and the actions that we have taken are a very high price to pay but they're willing to go to any length to finish the dictatorship. And the efforts of General Noriega to try to appear if sanctions as the work of traitors has backfired, because the people of Panama know that General Noriega is responsible for the tragedy our country is living under.

Mr. TAUZIN. Additionally, members have asked us why is it the groups who have traditionally accepted General Noriega and military involvement in government in Panama, are now willing to oppose him and are now seeking stronger democracy?

Ambassador SOSA. We're a peaceful country and the Panamanian people are coming in, the business community and the political leaders, always believed that we could convince the military to step aside. President Delvalle tried during his two years in power to convince General Noriega and his peoples to let Panama be ruled by civilian rule. They really expected him to. Two weeks ago today, was the last resort when he realized that the military was not going to step down. They had no intention of letting civilian rule back into the country, and he instead has rallied the people of Panama around and make everybody believe that the only way to finish the dictatorship is to fight it all out and fight it now.

Mr. TAUZIN. For the benefit of our discussion today, Mr. Ambassador, could you describe for us the strength of the various political organizations which do exist in Panama today?

Ambassador SOSA. The 1984 elections had a divided country. The government coalition won with 43 percent of the votes, 43 percent of the votes was to the opposition party and the 14 remaining percent was distributed among five other parties. Today as we fight the dictatorship, Panamanians have accomplished something that

never was accomplished in its history, is to have a coalition of forces, some pro government and some opposition forces, plus the civic crusade which is a civilian movement, a civic movement, join together. And we find today that parties like Authentic Panamenista, who have 35 percent of the vote in 1984, the Christian Democrats, who had seven percent of the vote, Molirena, with five percent of the vote, our own party the Republican Party of Panama, and plus a strong wing of the PRD, the second majority party, we have all joined forces. And the document, that was signed three days ago, is an historic document because it's the first time that we have all united for a common cause.

Mr. TAUZIN. And on the other side of the ledger, could you give us a summary of what popular support does still exist in Panama for the military forces and its role in government in Panama as led by General Noriega?

Ambassador SOSA. Traditionally the military institution has been a very respected institution. That respect has been declining to the point that today the military is not a welcome institution in our country. And it's because of the symbol which General Noriega is. Today if I were to talk about polls, for instance, I would leave as much, or as little as 15 percent support for the military regime today.

Mr. TAUZIN. Mr. Ambassador, if you will kindly respond to questions of members of the subcommittee and full committee, we'll begin with the Ranking Minority member, the gentleman from Texas, Mr. Fields.

Ambassador SOSA. I'd be happy to.

Mr. FIELDS. Thank you, Mr. Chairman.

Let me just proceed a moment along the lines of our Chairman. How much support does President Delvalle have in the National Assembly?

Ambassador SOSA. The National Assembly is made up of 67 Congressmen, or Senators. We call them legislators. The opposition party, the opposition coalition who now supports President Delvalle, has 40 percent of the legislators. Out of the governed coalition who have 60 percent, we feel that half of the 34 members of the PRD are legislators who do not really have their own convictions, who are not independent, who are managed by the political machinery of General Noriega. But they're doing it out of fright. They are scared to turn their backs on the regime. Those people would turn back immediately after Noriega leaves, because the only way they're remaining loyal is through fright. So we feel that President Delvalle would have the support of two-thirds, at least, of our Congress.

Mr. FIELDS. How is President Delvalle viewed by your fellow countrymen at this time?

Ambassador SOSA. President Delvalle was a very misunderstood man. The people of Panama did not realize the efforts he was doing to try to bring the military back to the barracks. His courageous step of two weeks ago, and it's very important to understand this is the first time in the history of Panama that a President has had the courage to fire a military leader. His action which is uncommon and unprecedented in Panamanian politics have projected him into a leadership role to the point that, as I said before, even oppo-

sition forces have now joined to support President Delvalle into a government of national reconciliation.

Mr. FIELDS. Is President Delvalle getting any support from the neighboring countries of Panama?

Ambassador SOSA. Yes, we have. The Central American democracies have acted very fast and very concrete. In addition, the group of eight, which is made out by Argentina, Uruguay, Brazil, Peru, Colombia, Venezuela, Mexico and Panama, suspended Panama from its meetings, sending a very clear message that they will not tolerate a military dictatorship in our country. The European communities have sent a strong message through a declaration, and today we got also a declaration from the European Parliament. It is also very important to note that the support that the dictatorship of Noriega has received have come from Nicaragua, from Libya, from Cuba, and even they have not had the courage to speak openly, because even they know what we have in our country.

Mr. FIELDS. Mr. Ambassador, there have been some very serious allegations made that some representatives of our government have been, or are still involved in business relationships with General Noriega. Do you have any knowledge of this?

Ambassador SOSA. I have no knowledge of this. On the contrary, I find that the U.S. Government is united in supporting the struggle of the Panamanian people to restore democracy. And I want to take this opportunity to thank, not only the Administration, but Congress of the United States, because you have come out clear about supporting democracy in our country. And I think this is a message that should be heard by everybody.

Mr. FIELDS. I thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, sir.

We'll now hear from the Chairman of our Full Committee, the Honorable Mr. Jones of North Carolina.

Mr. JONES. Thank you, Mr. Chairman.

Mr. Ambassador, as a representative of the legitimate government of Panama, what is your opinion regarding placing the Panama Canal Treaty payments in escrow until the legitimate government is back in power?

Ambassador SOSA. What we are doing now, is taking heroic measures. In the past, Panama has tried to restore civilian rule, tried to send the military to the barracks. But we have taken very timid actions. This time so many elements have come together at the same time, who have made possible for us to win this fight. And at this moment in the history of our nation, I think that any measure, no matter how difficult and no matter how hard, should be taken. And putting in escrow the funds of the Panama Canal Commission, to the government of Panama, it's a welcomed step by Panamanians, because besides sending a clear message, what we are in fact doing is paralyzing the legal government of General Noriega and helping to bring him down once and for all.

Mr. TAUZIN. For the record, so that the subcommittee may be aware of it, the Chairman of the Full Committee, the Ranking Minority Member of our subcommittee, and Ranking Minority Member of the Full Committee, have all joined in the introduction of H.R. 4126, yesterday, which is a bill to require the escrowing of most of the funds that the Canal Commission would ordinarily pay

over to the government of Panama. The bill provides for that money to be deposited for the benefit of the real government of Panama in an escrow account to be turned over to the government when that government is recognized by the United States of America. And we would invite other members of the subcommittee to join us in support of that measure. It is H.R. 4126.

Now the Ranking Minority Member of the Full Committee, the gentleman from Michigan, Mr. Davis.

Mr. DAVIS. I thank the Chairman.

Mr. Ambassador, as you are aware, a significant percentage of this Country's domestic crude oil production is moved through the trans-isthmus oil pipeline on its way to the United States Gulf Coast. Do we have to be concerned that your country doesn't control that flow? Is that something that we ought to be concerned about at this time?

Ambassador SOSA. Yes. The flow of oil through the pipeline is an important element, not only in our economy, but also in supplying the United States East Coast with oil. We have been very careful in our actions. We have frozen the payments from Petro Terminal to the government of Panama, so that money is not used for illegal purposes. But we have been very careful in maintaining the liquidity of Petro Terminal, releasing funds so the efficient operation of Petro Terminal is not hindered. So what we are doing is preventing funds to be used by the government of Panama, but in no way are we going to take actions that will affect the flow of oil from the Pacific to the Atlantic.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, Mr. Davis.

Having heard from the leadership of our Full and subcommittees leadership, we'll now turn to members in the order of their appearance at the subcommittee this morning, starting with the gentleman from Maine, Mr. Brennan.

Mr. BRENNAN. Thank you, Mr. Chairman.

Mr. Ambassador, the United States took a somewhat unusual step by indicting a foreign leader. Would you comment on whether or not that indictment made it more difficult or easier to try to dislodge, or to try to get Noriega to step down?

Ambassador SOSA. The indictment might have cornered General Noriega somewhat and make an exit more difficult. However, the indictment we believe is a matter between the U.S. Justice and General Noriega. And if the U.S. Justice has a case against General Noriega, I respect very much the Justice of this Country, and I think that they should do whatever is necessary.

Mr. BRENNAN. But it does make it a little more difficult for him to exit, is that it?

Ambassador SOSA. In the way of cornering him, yes. On the other hand, he has made it open to the Panamanian people that he has to go. So in that regard, it has helped.

Mr. BRENNAN. In another area what dangers do you see today for American civilians that are in the Panama Canal Zone?

Ambassador SOSA. Panamanians have a tremendous respect for Americans. In the past, for instance when we go back to the 1964 riots, Panamanians helped protect American civilians. I think that today the civilians, the American civilians, do not have a threat in

our country. Nevertheless, I think caution should be exercised to avoid any provocation that might be used by people in Panama, but a minority who would like to see a confrontation.

Mr. BRENNAN. In essence, though, your position is that American civilians are not in danger today?

Ambassador SOSA. Yes, sir.

Mr. BRENNAN. Without any provocation?

Ambassador SOSA. Yes, sir.

Mr. BRENNAN. One final question. What would you suggest that the United States do today, more than it is doing, to try to encourage Noriega to step down?

Ambassador SOSA. I think that the United States have gone to great lengths to supporting actions of Panamanians. I'm so convinced that our actions are winning the fight and will win it in a few days. I think that what the Congress and the Administration of U.S. Government have done up to now, and are doing, in expressing your open support for the Panamanian people, together with the actions that have been undertaken will be sufficient to topple the regime of Noriega.

Mr. BRENNAN. And you expect that, did I hear you say, in a few days, that Noriega will be toppled?

Ambassador SOSA. Yes, sir.

Mr. BRENNAN. Thank you.

Mr. TAUZIN. Thank the gentleman.

Ambassador Sosa, you'll notice that in the tradition of our bipartisan relationships here in Congress, we alternate. I alternate now to the Republican side, and welcome questions from my colleague from Pennsylvania, Mr. Weldon.

Mr. WELDON. Thank you, Mr. Chairman.

First of all let me say, Mr. Ambassador, that I have the highest personal respect for you and for President Delvalle and his staying in a position of leadership within that country, and that we will do all within our power, and I'm sure I speak for my colleagues, in supporting your efforts to continue your position.

In your opening statement you, in the first line, mention that you are the Official Ambassador to the United States of America. Have you had any indication from Mr. Noriega that he is attempting to replace you or has made any moves to you, and what is your relationship right now with Mr. Noriega?

Ambassador SOSA. Well, I have absolutely no communication with the illegal and illegitimate government of Panama. I was fired the first day. Last week a replacement was sent, and I refused to turn over the keys of Embassy. I have security in the Embassy. We are maintaining the Embassy with our own funds. A new—I understand a new Ambassador has been appointed, Mr. Aquilino Boyd. And I understand he is here in Washington, but he hasn't come to the Embassy. And I don't expect that he will come.

Mr. WELDON. Thank you.

The second question, you mentioned in your opening statement about the evidence that you have of outside influence. You noted the Libyans and the Nicaraguans. Would you elaborate on that, please, and give us specifics if you can in this open session?

Ambassador SOSA. We're very concerned that Noriega will turn more and more to the left and to the communist camp. Because

they have become their natural allies. The democracies of the Western World do not support the regime of Noriega. He has no friends in the world except the communist countries. So, either by ideology or by expediency, it's only natural that he will seek support from the communist camp. That's why we feel that we have to end this fight soon.

Mr. WELDON. Has there been any direct evidence of Ortega being involved directly in this affair?

Ambassador SOSA. There's no direct evidence, and I think that Nicaraguans have their own problems, and obviously they do not have funds to support Noriega. They have guns, but so does Noriega. So I believe that their support has been more in terms of a symbolic support. But I wouldn't be surprised that their influence among leftist groups in Panama, it's working to undermine the efforts to topple Noriega.

Mr. WELDON. So your concern is more in the future then, than what you've seen?

Ambassador SOSA. Yes, sir.

Mr. WELDON. What would you say would be the intentions of Noriega with respect to the Canal? Has he made any direct overtures in terms of the operation of the Canal to date?

Ambassador SOSA. I'm sure that Noriega feels that it would be a great mistake to tamper with Canal operations. The Panamanians feel that the Canal is part of its livelihood. If he would do anything to hinder the operation of the Canal, I think his 15 percent support would evaporate quickly.

Mr. WELDON. He's done nothing in that regard?

Ambassador SOSA. We have no information that he has done anything in that regard.

Mr. WELDON. Just in closing I want to once again thank you, and extend my best wishes to you and I offer to work with you, and thank you, Mr. Chairman.

Ambassador SOSA. Thank you very much to you, Mr. Weldon.

Mr. TAUZIN. Thank you, Mr. Weldon.

The gentleman from California, Mr. Bosco.

Mr. BOSCO. Thank you, Mr. Chairman.

Mr. Ambassador, let me follow up to be sure that I understand exactly what you're saying. You said that General Noriega enjoys the support of the governments of Nicaragua, Libya, and Cuba. Is that a passive support or is it an active support? Do those governments financially, militarily, in terms of personnel, or in another active way support General Noriega, or is this more or less just a political hand holding?

Ambassador SOSA. It is as a symbolic support. As I said, even those government, although supporting Noriega, have not publicly come out to defend him. That is the nature of its criticism in the world today.

Mr. BOSCO. So you have no evidence of any active, actual military, financial or other support from those governments?

Ambassador SOSA. No, sir.

Mr. BOSCO. Do you have evidence that the Soviet Union is in any way supporting General Noriega?

Ambassador SOSA. I do not have any evidence, but I wouldn't question that they would like to see Noriega remain in power. Be-

cause communist countries usually work much better with dictators than with democracies.

Mr. Bosco. One final question. If the United States continues sanctions against General Noriega, do you believe there's a possibility that that would force him or others in Panama to turn even more toward communist governments, such as Nicaragua, Libya, Cuba, or the Soviet Union?

Ambassador Sosa. That is a possibility. And that's why we feel that whatever sanctions, and whatever actions we take now to end up the dictatorship in the next few days will in effect be protecting the future of the Panamanian people.

Mr. Bosco. Thank you very much.

Mr. Tauzin. I might announce that the vote has been called on the Floor of the House, and members will be leaving to vote. I've asked Mr. Foglietta to go and vote now so that he may come back and take the Chair for me to run and make the vote. We'll continue with the hearing process as the vote on the Floor is occurring. The vote is on the approval of the Journal, one of the very serious votes we cast every day. So we'll let members come in and out to accomplish that task.

We'll now recognize the gentleman from North Carolina, Mr. Coble.

Mr. Coble. Thank you, Mr. Chairman.

Mr. Ambassador, we've pretty well exhausted this for the moment, I think, but I don't want to leave it, i.e., Libya, Cuba, and Nicaragua. Some time, perhaps later, I'd like to talk to you in more detail about that, because that concerns me. Just to be sure that I'm reading you correctly, I believe it was in response to the last question you indicated that you do not have any hard direct evidence, but supposition tells you, I guess by the process of elimination, that it is natural to believe that these three countries will be affording assistance and encouragement, or empathy, call it what you will, is that correct?

Ambassador Sosa. That's correct, and one show of that is that during two years, for two years the Soviet government has been trying to get landing rights in Panama. And President Delvalle has refused to approve those landing rights. But four months ago in the middle of a crises, when Noriega began in effect taking full control of the country, landing rights were signed.

Mr. Coble. Thank you, Mr. Ambassador. One more question, Mr. Chairman.

And I alluded to this in my opening statement, Mr. Ambassador, that is the possibility, remote or otherwise, of any United States monies finding their way to the custody and control of Noriega. Can you address that? I realize that may well be very vague and difficult to nail down, but do you have a sense or response to that?

Ambassador Sosa. Yes. Part of the feeling, or one of the reasons for the feeling of Panamanians being so optimistic that the regimes days are numbered, is because the country is virtually paralyzed now. And it has been paralyzed in part by the actions of freezing the assets which in turn had made very difficult for banks to open. The banks cannot afford to open, because they're going to have run. What country can maintain its stores open if it's completely paralyzed?

So right now I feel that the actions that we have taken have in effect blocked any opportunity for Noriega's regime to get a hold of funds that are in the United States.

Mr. COBLE. Thank you, Mr. Ambassador.

Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, Mr. Coble.

I now recognize the gentlelady from Maryland, Ms. Bentley.

Ms. BENTLEY. Thank you, Mr. Chairman.

Mr. Ambassador, horsebacking on the question concerning the communist countries' influence on Noriega, you mentioned Nicaragua. If the Contras were not there to keep the Sandinistas busy, do you have any belief in your opinion that the Sandinistas would be much more active on behalf of Noriega?

Ambassador SOSA. I'm convinced they would.

Ms. BENTLEY. On the pipeline shutdown, you mentioned that you were freezing the payments of Petro Terminals to the government, and that you said, we would not shut down the pipeline. And I'm assuming you mean the Delvalle regime?

Ambassador SOSA. Right.

Ms. BENTLEY. What about the Noriega group? What about the military shutting it down?

Ambassador SOSA. That would be a great mistake, because again, the Panamanians regard Petro Terminal as an example of cooperation between United States and Panama. And if it shut down by the military government of Panama on the pipeline, would be another nail in the coffin.

Ms. BENTLEY. So you're saying that about both the Canal and the Pipeline?

Ambassador SOSA. Yes.

Ms. BENTLEY. That for economic reasons alone, that those would undoubtedly continue to be operational.

Now on the matter of drug movements, we've heard a lot about drugs being channeled through Panama, and particularly by Noriega. If Noriega should fall, and Delvalle takes over and puts his own people in, do we have any reason to believe that the movement of drugs through Panama would be curtailed or reduced or eliminated in any way?

Ambassador SOSA. With President Delvalle and the groups that support him, what we are proposing is a government of national reconciliation to face all the problems our country faced. We're determined to make a complete change in the structure of the government. We're not talking about changing one man. We're talking about changing a system. So the system responds to Panamanians who want to live in a free world, who want to live in a democracy, and want to see the assets and the opportunities of our country work for they and not for any one man.

Ms. BENTLEY. That doesn't specifically answer my question. I'm talking about drugs now.

Ambassador SOSA. Drugs is one of the problems that will be dealt with, of course.

Ms. BENTLEY. It will.

Ambassador SOSA. And it will have a top priority because for President Delvalle that is a question of principle that is effecting the whole world and we would like to see that the drug problem

would be dealt with at the highest level by all countries, because it's a cancer who's going to eat up our society.

Ms. BENTLEY. You are absolutely right. And that is what our fear is, and particularly the expansion of the drug movement down in that part of the world.

Thank you very much, Mr. Ambassador.

Mr. TAUZIN. Thank you, Ms. Bentley.

I now recognize the gentleman from California, Mr. Shumway.

Mr. SHUMWAY. Thank you, Mr. Chairman.

Mr. Ambassador, I share your appraisal of the feeling of Panamanian citizens that they believe themselves to be friends of Americans, and indeed have a warm relationship with this country. But I remember during one of my visits to Panama, it was brought to my attention that the Panamanian Press was editorially very critical of Americans, in particular our operation of the Panama Canal. If fact much of the press, it seems to me, was even inflammatory from time to time in the way that they described Americans. Do you know what the attitude of the press is now? Are they still continuing that kind of anti-American tirade, or have they come to their senses somewhat, or what is the situation with the media now in Panama?

Ambassador SOSA. We have to separate what is government controlled media and independent media. Today there is no independent media open in Panama. Television stations, newspapers, radio stations who are anti-Noriega have been shut down completely. The government press is still using inflammatory remarks, will continue to use them because that is the only "defense" that they are trying to project to the Panamanian public that this is an effort by the United States Government to topple Noriega and intervene in the local affairs of Panama. But the people are not buying that. The people know that this is a movement by all Panamanians that have the support of the Western democracies, and what the government newspapers are saying is not being accepted by the people.

Mr. SHUMWAY. So you're saying that 85 percent, other than the 15 percent that supports Noriega, still has warm feelings about America in spite of this kind of press effort to the contrary?

Ambassador SOSA. In my own business, in my private practice, I'm a marketing consultant. And I have done very many public opinion polls. And one element that comes always very strong, that Panamanians identify with the U.S. way of life and Panamanians are friends of the United States and have a lot of respect for this country.

Mr. SHUMWAY. You've described how deep the support is for President Delvalle among the citizens in general, and I believe among the members of the Panamanian National Assembly. How do you estimate the support for Noriega among the Panamanian Defense Forces? Obviously the closest advisors he has are military. How far down in the ranks does that go? How much control does he really have among the military?

Ambassador SOSA. He has a lot of control, because of fear of the people. Noriega, for many years was head of the intelligence and he was able to build a network of agents. But no ill can persist indefinitely what's happening in Panama. And either he, on his own

will, leaves or I'm convinced the military, the younger officers, will topple him.

Mr. SHUMWAY. Now, do you still have regular communications with those that you report to in the Panamanian government, President Delvalle among others?

Ambassador SOSA. Yes. I have close communication with President Delvalle. I speak with him every two or three days. And I get daily messages.

Mr. SHUMWAY. A few days ago I think I saw in the press here that the Panamanian Ambassador in London was forcibly removed from the Embassy and a Noriega man was put in place in his stead. What assurance do you have that that may not happen to you? I know you've described your own security, but still it could happen here as well, I suppose.

Ambassador SOSA. The following date of that shocking incident in London, one of his security officers who is guarding the chancery outside, approached me and he said, Mr. Ambassador, I can assure you that this is the United States and that's not going to happen here. And it gave me a tremendous feeling of confidence and security.

Mr. SHUMWAY. Thank you, Mr. Chairman.

Mr. FOGLIETTA [now presiding]. Mr. Ambassador, first of all I want to apologize for being late in attending this hearing, but I am a member of the Seapower Subcommittee on the Armed Services Committee, and I had to be at that meeting first. I hope that the question that I have is not a redundant one, and has not already been asked.

The question I have is that although almost universally, the people of this Congress and the United States would like to see Mr. Noriega out of power. From what I understand, Mr. Noriega has tried to couple that with abrogation of the terms of the Panama Canal Treaty, saying that's what our actual interest was. What is being done, or what kind of activity is taking place in Panama to convince the general public, the people of Panama, that although we would like to see Mr. Noriega out of power, that we still believe in adhering to the principles and the tents of the Panama Canal Treaty?

Ambassador SOSA. Unfortunately, there is no media in Panama that is opposing the government. The media, the independent media has been shut down. But the Panamanian public is used to these schemes, is used to seeing Noriega bringing out the nationalist flag to cover his own weakness and his own problems. They haven't bought it in the past and they're not buying it now. And in fact, yesterday a nephew of General Torrejos defected publicly criticizing Noriega. And what Noriega has been doing is wrapping himself around Torrejos' flag, and Torrejos is a man who had a tremendous charisma and support. So by even the family of General Torrejos coming out publicly, it's a devastating blow to the schemes that Noriega is using to try to portray this as a national fight, a nationalistic fight.

Mr. FOGLIETTA. Is there anything that we, in Congress, can do to reinforce the position that we do intend to reaffirm and adhere to the principles of the Panama Canal Treaty?

Ambassador SOSA. I believe you always did it, consistently coming out with statements and those efforts, I think should be continued.

Mr. FOGLIETTA. I thank you so very much, Mr. Ambassador.

Ambassador SOSA. Thank you.

Mr. FOGLIETTA. I think that concludes the questioning by members of this committee, and again on behalf of the members of this committee we thank you for a very enlightening presentation.

Ambassador SOSA. I want to thank the committee for inviting me to the hearing, and I assure you that I'm at your disposal at the Embassy of Panama for any questions, for any comments, and I want to thank you for your support.

Mr. FOGLIETTA. Thank you, sir.

We will now hear from the second panel of witnesses, Mr. William Gianelli, Chairman of the Panama Canal Commission; Mr. Michael Rhode, Secretary to that Commission; and Mr. Dennis McAuliffe, Administrator of the Panama Canal Commission.

Your prepared statements will be inserted immediately following your oral presentations.

STATEMENT OF WILLIAM R. GIANELLI, CHAIRMAN, PANAMA CANAL COMMISSION

Mr. GIANELLI. Mr. Chairman and members of the subcommittee, I am William R. Gianelli. I am the Chairman of the Board of the Directors of the Panama Canal Commission. I have a brief statement, which has been submitted to you, Mr. Chairman. I apologize for its lateness, but it will be the essence of my presentation to you today.

I'm pleased to have this opportunity to appear before you to discuss the Panama Canal and the possible impact on its operations from the ongoing political unrest in Panama. Participating with me is Mr. Dennis P. McAuliffe, the Administrator of the Panama Canal Commission, and Mr. Michael Rhode, Jr., who is the Secretary of the Commission.

Let me say, Mr. Chairman, I've just noted that I'm just about to complete my seventh year as Chairman of the Panama Canal Commission. We have tried very hard to keep the operation of the Canal separate from the political problems in Panama, and thus far we believe have been very successful in doing that. During the last six months, of course, this has been particularly difficult.

The Panama Canal provides an important service to international trade. Each year over 12,300 vessels, flying the flags of more than 80 nations, pass through the Canal carrying nearly 150 million tons of cargo. For a large share of U.S. and world trade, the Panama Canal is the most efficient and economic transportation option. There are, however, alternatives to the Canal for most of that trade. Thus, if the Panama Canal does not provide efficient transit service, or if shipping interests perceive that the quality of that service in the future will deteriorate, a significant share of Canal trade could divert to those alternatives.

The events in Panama are being watched with growing concern by the international shipping community and they are looking to the United States as the present owner/operator of the Panama

Canal for assurances that the waterway will continue to operate efficiently both now and in the years ahead.

Accordingly, the Panama Canal Commission has repeatedly assured maritime nations and international shipping interests that the Canal will continue to provide safe, efficient and uninterrupted transit services irrespective of the local political situation. Thus far, the political turmoil and related civil unrest that have been ongoing in Panama for the past eight months have not directly affected Canal operations. This could change, however, if the sanctity of the waterway and its traditional apolitical role is not preserved.

Any action taken which would embroil the Commission in the domestic political problems could damage the Canal's credibility as an international waterway operated for the benefit of all nations. This would reinforce concerns of the users over the future viability of the Canal and cause them, we believe, to reassess their long-range plans to use the waterway in the future. Furthermore, there is the more immediate risk of a backlash from Panama which, if it interrupted transit operations, would lead to decisions by the shipping interests detrimental to current and future utilization of the Canal.

Therefore, it is essential that actions which would send negative signals to Canal users about the future viability of the Canal, or which would impede the waterway's ability to continue operating normally, should be approached with great caution. In my view, if the Canal is to play a role in any sanctions against Panama, it should not be a leading one, but rather, only part of an array of meaningful U.S. Government actions. Otherwise, the short- and long-term viability of the Canal could be impaired by possibly causing users of the waterway to begin diverting to available alternative markets and transportation systems. Such actions might not only cause irreparable damage to Canal operations, but could also significantly increase costs to segments of the international shipping community.

I wish to assure you, Mr. Chairman and members of this subcommittee, that the Panama Canal Commission is committed to taking all necessary steps to ensure that the Canal continues to provide world trade with efficient, high quality, transit service. It is essential to the stability and uninterrupted operation of this vital utility that this commitment remain firm and that the Canal continue to be perceived as a truly international waterway operated for the benefit of all nations of the world.

Mr. Chairman, I know that this subcommittee is interested in the payments required by the Treaty and by Public Law 96–70 that we make to Panama. Let me describe four of those to you. First of all, there is the $10 million annuity, which is prescribed by the Treaty. There is a $10 million public service payment, which pays for police and fire protection, garbage collection, street maintenance, lighting and cleaning; and then there is a payment of 31 cents per ton of transitted cargo which we estimate will amount to approximately $60 million this fiscal year. Finally, there's any profit up to $10 million which the Commission might make in a given year. I have a summary of those payments made thus far, Mr. Chairman, and with your permission, I will submit it for the

record. That summary is attached to the statement that I have made.

Let me explain briefly the payment schedule. The U.S. and Panama agreed, by diplomatic note in 1980, to make these payments on a monthly basis. On the 15th of each month, the Commission has been placing on deposit at the Balboa Branch of the National Bank of Panama a check ranging somewhere between $6.5 and $7 million. That amount covers the first three of the items I mentioned: The $10 million annuity, the $10 million public service payment, and the tonnage payment. The amount, of course, varies depending on the tonnage which actually transits the Canal.

In closing, Mr. Chairman, let me say again that the political upheavals in Panama thus far have not had an impact on Canal operations. As Mr. McAuliffe will state, traffic during the last several weeks has even been above average. That, of course, is primarily due to the faith of the international shipping community in this U.S. operation.

Mr. Chairman, with your permission, I would propose that Mr. McAuliffe now present his remarks and then we both will be available to answer any questions that you and other members of the subcommittee may have.

Thank you very much.

[The attachment to the prepared statement of Mr. Gianelli may be found at the end of the hearing.]

Mr. TAUZIN. That will be acceptable. Thank you, Mr. Gianelli.

Mr. McAuliffe?

STATEMENT OF DENNIS P. McAULIFFE, ADMINISTRATOR, PANAMA CANAL COMMISSION

Mr. MCAULIFFE. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am Dennis P. McAuliffe, the Administrator of the Panama Canal Commission. And I'm certainly very pleased to appear with you today along with the Honorable William R. Gianelli to discuss the Panama Canal.

The Panama Canal is in excellent operating condition, and has continued to function normally throughout the political unrest occurring in Panama over the past eight months. Vessel traffic and tolls revenue during the first five months of the current fiscal year have been above expectations. Oceangoing transits are averaging nearly 34 per day. Tolls revenue, at $144 million, was 3.6 percent above the same period last year. And cargo tonnage totaled 65 million long tons, almost six percent over prior year levels.

This strong performance is continuing with transits averaging 36.6 per day during the first week of March, and tolls revenue totaling $6.8 million, compared to our budget targets of 35.4 ships daily, and $6.6 million in tolls during this weekly period. Average Canals Water Time, our basic measure of standard of service, is back to the normal 24 hours following extensive and complex locks overhaul work which was successfully accomplished during the first two months of the year.

Transit service is continuing without interruption, and arriving vessels are being handled safely and efficiently. The Commission's

work force has demonstrated exceptional loyalty and dedication during this difficult period, and deserves much of the credit for the smooth functioning of the waterway. Employee concerns over the existing political situation have naturally heightened. But our work force remains dedicated to performing its jobs as effectively as in normal times. Job attendance, for example, is averaging 98 percent of assigned work schedules, and that is consistent with past experience. There have been no employee slowdowns, work stoppages, or other job actions aimed at disrupting Canal operations.

There's every indication that the Commission work force will continue to perform in an exemplary manner and we fully expect the Canal to continue to function normally. Nevertheless, we have developed and tested detailed contingency plans to ensure Canal operations can be sustained and Canal employees and their families can be assisted should an emergency need arise.

Mr. Chairman, I'm pleased to join now with Mr. Gianelli in answering any questions that you or other members of the subcommittee have.

Mr. TAUZIN. Thank you very much, Mr. McAuliffe.

Gentlemen, one of the questions which has not yet been discussed in newsprint anywhere is the question of Panamanian representatives on the Commission. As you know, the illegitimate government of Manuel Solis Palma has sent its own ambassador to the United States, who has not been recognized. Ambassador Sosa has clearly indicated that he remains at the Panamanian Embassy representing the legitimate government of President Delvalle. Has any attempt been made to substitute members on the Panamanian side of the Commission, and the reference to administration of the Canal?

Mr. GIANELLI. Well, let me comment, and perhaps Mr. McAuliffe can add to it.

We understand that a telephone call was received indicating that Mr. Velarse would no longer be a member of the Commission's Board. We have not received an official resignation; therefore no action has been taken. The other three Panamanian members have been on the Commission's Board representing Panama for some period of time, and there is no indication thus far of any change in those members.

Mr. TAUZIN. Perhaps this question should be directed to the State Department, but since our government has not recognized the government of Manuel Solis Palma what happens when his government attempts to appoint a new member to the Panama Canal Commission?

Mr. GIANELLI. I think that would be a good question to ask Mr. Abrams. [Laughter.]

Mr. TAUZIN. Good point.

Mr. GIANELLI. Let me just point out that our President is the person who has to appoint new Panamanian members upon the recommendation of the President of Panama, so we would certainly have an opportunity to express our views on the matter.

Mr. TAUZIN. So, let's get that back on the record as clearly as we can. Our President actually makes the appointment upon the recommendation of the President of Panama?

Mr. GIANELLI. That's correct, Mr. Chairman.

Mr. TAUZIN. So that I'm sure we'll hear fro Abrams as to what position that places us in, if we do no nize so-called president of Panama, Mr. Palma. We'll reserve or his testimony then.

One of the things I believe you can testify Gianelli and Mr. McAuliffe, and perhaps Mr. Rhode, is the ion of Ameri-can dependents and personnel in the Canal Mr. McAuliffe, you've already testified that there have been hre ts or any problems in regard to their safety. But one of cerns we continue to hear from family and relatives, and fis the concern that commissary privileges have been denied e dependent's relatives now in the Canal Zone, and as a co ce they're required to do their shopping outside the Canal. And that that poses perhaps some risk in the unrest that h veloped in the communities in Panama.

Just a couple of days ago, rather, this memb e to the President asking that his Administration consider ast temporary commissary rights for civilians living in the Zone, and in order to avoid the possibility of something oc on trips into the cities and towns that are experiencing th st in Panama. We've not yet received a reply. Could you per ive us some of your thoughts on this particular problem? I stress to you that we're getting some very serious pleas of c from relatives and friends here in the United States. Perh u can give us some assessment of the situation, and perhaps ent on our request for commissary privileges on a temporar ?

Mr. MCAULIFFE. Mr. Gianelli has asked m ick up on this question, and perhaps he might have a remar ake at the conclusion.

First, I should point out that there has be ecurity threat against any of the employees of the Panama Commission or their families, and I include in that both Uni ates and Panamanian citizens . However, having said that, I ave to say also that there is quite a lot of concern among the yees and their families because of the uncertainty of the sit The situation changes virtually every day, particularly in ty of Panama, and to a certain extent in the city of Colon at her end of the Canal. There is particular worry among that f U.S. families who, as you point out, Mr. Chairman, do n e authority to shop at the military shopping facilities and do all of their shopping in Panama. And within that group, t even a higher degree of concern among those who live on th ntic side of the Canal. Because there are no shopping facilitie e city of Colon, you're talking about a trip all the way ac he Isthmus of Panama to the Pacific side, and that road ha interdicted for one reason or another many times.

So, there is great concern. I do feel that th increasing risk to these Americans who have to make their w o Panama City to shop and take care of other business of that e, and the lack of access to the commissaries, I must say, is onal concern of mine.

Mr. TAUZIN. Let me perhaps——

Mr. GIANELLI. Could I add to that, Mr. Chai

Mr. TAUZIN. Certainly.

Mr. GIANELLI. I think it would provide great assistance to our employees and dependents if the commissary and the PX privileges could be made available at least on an interim basis until things quiet down. It would go a long way toward alleviating some of the concern, and it would guarantee that they would have adequate food supplies for their own use.

Mr. TAUZIN. Let me put it in prospective for all the members here. The Treaty, and implementation of the Treaty, of course, has set up a situation where dependents in the Canal Zone have been denied commissary privileges, and are shopping now in the Cities of Colon and Panama, and elsewhere. And I've made a personal request, perhaps you want to join me in that request, that the Administration consider at least temporary rights for our citizens to shop at the military establishments there.

One final thing and then I'll turn it over to questions of the members.

Mr. FIELDS. Will the gentleman yield?

Mr. TAUZIN. I'd be happy to the gentleman from Texas.

Mr. FIELDS. I'll be glad to make that joint request with the Chairman.

Mr. TAUZIN. I appreciate that very much. And perhaps others would want to join us. If you do, please let us know in our offices.

One final thing and then we'll turn it over it to questions by the members.

One of the things we have accepted in the bill we have filed requiring the payment into an escrow fund of the sums you've delineated as being owed to the Government of Panama pursuant to the Treaty, is the payment of those funds required to maintain necessary services to the Canal Zone, such as city services, and other arrangements that have existed for some time and in a position of essential services from Panama itself to the Canal Zone. Among those services, which we understand must be maintained, and which we have excepted from our escrow legislation, is a provision by the Government of Panama of security to the Canal Zone. Now, I'm going to ask it as bluntly as I can, Mr. Gianelli. I don't know how else to ask you. Do you have any concern that we are now in a situation where General Noriega is providing security for the Canal Zone at a time when this government is doing everything it can to encourage Noriega's ouster as the power in Panama, and the return of democratic government to that country.

Mr. GIANELLI. Let me try and respond to that, Mr. Chairman. I think thus far the Government of Panama has been very careful to continue to provide security in our housing areas, and around the Canal facilities. They have not thus far wanted to embroil that subject in the political process.

Now it is a matter of concern, of course, in the future. As you pointed out, no one is able to predict with any degree of reliability what will happen tomorrow or the next day. So it is a matter of concern. But let me say, that thus far that service has been provided.

Mr. TAUZIN. I suppose it would be regarded, and I'll have to ask this of Mr. Abrams as well, as a rather serious violation of the obligations to Panama and the Treaty if those security arrangements were in any way compromised.

Mr. GIANELLI. It would be, yes.

Mr. TAUZIN. I'll conclude by just urging you and the following witnesses to perhaps strongly consider the recommendations we've made with reference to commissary rights and to the question of security, and we'll get into some other questions of security with Mr. Pastorino when he appears, with the caution that an ounce of prevention is certainly called for at this time. If we could prevent a situation that would inflame, that would aggravate, or would in some way impair the neutrality and independent operation of the Canal, it might be worth taking those into account today and maybe acting as fast as we can to avoid those situations. In that regard, perhaps you want join us in those recommendations we made to the Administration.

Mr. GIANELLI. I would agree with your point, Mr. Chairman.

Mr. TAUZIN. Thank you very much.

We'll now recognize the gentleman from Texas, Mr. Fields.

Mr. FIELDS. Let me just ask, have there been contingency plans drawn up, say if the Panamanians withdraw police protection, or if fire protection is not provided? Do we have contingency plans?

Mr. GIANELLI. Yes, Mr. Fields. The Commission has, within its ability, made certain contingency plans on some of the things that could happen.

And perhaps Mr. McAuliffe might want to respond to those that are appropriate to respond to in this forum. I think, however there, are some things which should be held for closed session. But the Commission has taken certain precautions in anticipation of problems that might arise. Whether we'll be able to deal with them fully would just have to depend on how the situation develops, when it occurs.

Phil, would you like to respond further?

Mr. MCAULIFFE. We, of course, have a firefighting capability within the Panama Canal Commission, and should Panama's responsibility not be fulfilled, we could certainly use our assets to cover emergency situations in firefighting.

The security situation would be quite difficult. In this case, we would obviously have to call upon the United States Armed Forces in Panama to assist, should Panama withdraw its security protection from the Canal and its employees. Anything further on that would, I'm sure, have to be clarified by the Defense Department representatives here at your meeting.

There's not much we could do in the way of fulfilling Panama's obligation to put lights on the streets and to keep them in good repair, because we simply do not have that kind of a capability within the Commission. I suppose we might look to some contract arrangement, but I think if you assume that Panama has withdrawn its security, it certainly wouldn't permit us to hire a private contractor to close the gap on that.

So I think that the situation that you postulate would indeed cause us considerable difficulties. Not sufficient to harm the Canal operation, but certainly sufficient to give us all heightened concern within that area.

Mr. FIELDS. Have any normal Canal users cancel reserve times for transitting the Canal because of the current situation in Panama?

Mr. MCAULIFFE. No, Mr. Fields. There have been no cancellations of advance bookings of ships. And as I indicated in my remarks, in fact we are witnessing a slight surge of Canal traffic right now. It has been going on for about 10 days or so. Let me add, however, that this does not indicate a lack of concern on the part of Canal users. We have had many, many inquiries directly and indirectly as to the situation, particularly when there has been a rash of rumors to the effect that the Canal has been closed, or there has been a work stoppage, or that we are not able to handle tolls, or many of these other unfounded rumors that have crept around, not just in Panama, but in London, New York, and around the world.

Mr. FIELDS. You know, one of the rumors, and the gentlelady from Maryland brought this to my attention, was that any payments due to the Commission had to be paid in cash.

Mr. MCAULIFFE. Yes, sir.

Mr. FIELDS. There's absolutely no truth to that?

Mr. MCAULIFFE. No. Let me finish my thought that I have been in touch with virtually all of the users of the Canal on a regular basis to provide assurances and to hit headon these unfounded rumors.

Now specifically with respect to toll payment, the normal procedure is for the agent of the steamship company that is transiting a vessel to deposit sufficient funds in a bank that works with us, and then the bank gives us a telexed guarantee that the money is deposited. We then the ship transit. Those arrangements are continuing, and have normally been done with the banks in Panama. With the banking holiday that took effect last week, these guarantee arrangements were shifted offshore from Panama, that is to say, into the United States and so these guarantees now, in many cases, come to us from the home offices of these banks in New York, Washington or wherever. But there has been absolutely no interruption in the payment of tolls, or in the guarantee of tolls, or in the transit of ships.

Ms. BENTLEY. Would the gentleman yield a moment?

Mr. FIELDS. I'd be glad to yield.

Ms. BENTLEY. What is happening with the toll money, or the tolls that are being paid? What's happening with that? Is it being frozen in the banks or is it going to the Panama government?

Mr. MCAULIFFE. Well, we still deposit the toll money in our accounts with the Treasurer of the United States. And it's from there that we pay our regular expenses, all the expenses of operations. As has been pointed out by the Chairman, we have been in the practice of making monthly payments to Panama, that prorated amount of the total annual payment due to Panama under the terms of the Treaty. That payment which is due next week is a subject of the bill that this committee is examining.

Ms. BENTLEY. Thank you.

Mr. FIELDS. Mr. Chairman, I just have one last question. Have there been any attempts by Panamanian employees to halt operations of the Canal in support of the Civic Crusade strike?

Mr. MCAULIFFE. No, there have not, Mr. Fields. And that's something that I'm very pleased about and for which I have given much credit to our work force. There have been enormous pressures put

on many of our Panamanian employees to do something like that. But the fact is that these employees of ours, want to evidence solidarity with the opposition to General Noriega and the government, but they are doing this on their own time and away from the Canal. And I'm very pleased that that has been the case.

Mr. FIELDS. Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, Mr. Fields.

The gentleman from Maine, Mr. Brennan.

Mr. BRENNAN. Thank you, Mr. Chairman.

My question deals with the U.S.-flag issue. As I understand it, there's an oil pipeline across Panama owned jointly by private U.S. companies and the Government of Panama. That pipeline provides significant revenue to the Panamanian government. Alaska oil comes down by U.S.-flag ship to the Pacific Coast of Panama, is transferred across through that pipeline and then loaded onto U.S. ships that then sail to the Gulf ports. This is coast-wise transportation required to use U.S. ships, and I understand the Administration is considering the taking of steps to block Alaskan oil from going through that pipeline, thereby denying those revenues to the Government of Panama.

But there's also been some talk of permitting the oil to go on foreign tankers. We know that there's sufficient U.S.-flag tanker capacity available to carry that oil. We need to emphasize that coastwise laws must be upheld. My question of Mr. Gianelli is, if Alaskan oil is diverted from the pipeline across Panama, and is subsequently carried on tankers, can the Canal adequately provide prompt and safe transit for these ships.

Mr. GIANELLI. Let me respond to that question. It is my understanding that they are presently pumping some 600,000 barrels per day through the oil pipeline. If that pipeline were closed, it would require, as I understand it, probably four extra transits a day of ships through the Canal. We believe that the Canal with its present capacity could handle that extra load. It might cause some slight delay in Canal Water Time. Mr. McAuliffe gave you that figure of 24 hours. It might raise it somewhere to approximately 30 hours. But we believe we could handle that amount of oil through the Canal.

Mr. BRENNAN. Thank you.

One further question, then. According to our briefing paper, the Panama Canal Consultative Committee, composed of high-level representatives of the U.S. and Panama to advise on matters such as tolls, employment and training, they failed to agree on a time and a place for a previously scheduled meeting, which was then subsequently cancelled. Are there any implications to that that there's some real problem because of the failure to be able to get together on time and place and reference to the meeting?

Mr. GIANELLI. Mr. Brennan, I think probably Mr. Abrams could respond regarding the current status of that committee.

Mr. BRENNAN. Okay.

Thank you very much.

Mr. TAUZIN. We're recognizing in the order of their appearance.

Mr. YOUNG. I was here first.

Mr. TAUZIN. Were you here first, Mr. Young?

Mr. YOUNG. Yes, I was here first, and let's make sure we don't make that mistake again.

Mr. TAUZIN. My apologies, sir.

Mr. Young of Alaska.

Mr. YOUNG. Thank you, Mr. Chairman.

The gentleman from Maine asked the question that I was basically going to ask. First let me make it perfectly clear, I'm probably the only remaining member of this committee that voted against the transfer of the Panama Canal to Panama. So put that on the record right now. And I am deeply concerned with what's occurring, and of course, not only because of that, but because of the transport of Alaska oil through the pipeline that we pay rent to the Panamanian Government. That supplies not only with the utilization of our mosquito fleet, or smaller tankers, but with great employment factors. It also is one of our major sources of domestic fuel, 25 percent of our domestic fuel is delivered via that pipeline. And I'm just curious about the comment that four tankers could take the place of 600,000 barrels a day.

Do we have that type ship that can carry only—four trips could carry that much——

Mr. GIANELLI. Let me comment, Mr. Young. We have had in the past, of course, ships that would transit the Canal before the pipeline was built. The pipeline was completed in 1982, as I recall. So prior to that time we did use the Canal for transitting the oil.

Mr. YOUNG. About 400,000 barrels a day. It's increased up to 600,000.

Mr. GIANELLI. Well, it's my understanding that the amount that they're transitting through the Canal now is not as great as it had been at one particular time.

Mr. YOUNG. Well, we will debate the figures a little later on. We're producing 2.2 million barrels a day. My figures are that 600,000 barrels a day that are transported across that pipeline. At one time we were transporting only 400,000 barrels through the Panama Canal. My real question is, if in fact we are to meet the 600,000 or 700,000 barrels a day, do we have the capability and is the Canal prepared to take that additional traffic?

Mr. MCAULIFFE. If I may pick up on that, Mr. Young. The answer is yes. We do have the capability, certainly with advance notice, we can ensure that the capability is in place to handle it.

Let me just clarify that the number provided by Mr. Gianelli in our estimate that would involve about four additional tankers per day is based on——

Mr. YOUNG. Excuse me. But what size tanker can go through the Canal?

Mr. MCAULIFFE. Well, the Panamax size tanker, which has a beam about 105-106 feet, and draft about 30—about a 60,000 dead weight ton vessel.

Mr. YOUNG. I'll yield to the lady, please?

Mr. BENTLEY. I think you have some 90,000 Panamax ships that are going through there, tankers that are going through there.

Mr. MCAULIFFE. Yes, they are not fully loaded because of the draft restriction.

But what I was saying is that our estimate is also based on an assumption that the industry itself might exercise a series of op-

tions to adjust the delivery of Alaskan/North Slope oil if access to the pipeline were restricted. The options might include reducing the production itself, or shifting sales to the West Coast, or increasing storage capacity, or even shipping in much larger tankers which could not, of course, use the Canal. So based on all those possibilities, we assumed about an increase of about four ships a day.

Mr. YOUNG. I just—of the alternatives the industry might use, none of them are acceptable to this gentleman who produces the oil. Very frankly, the cutting down of the production, again I go back, where we going to get it, buy it from Saudi Arabia, or from the OPEC countries at a higher cost. Will you give preferential treatment to the oil tanker versus the tourist ship going through to keep the flow steady? You know, you just don't shut off the spigot. There is a receiving point for the oil as it gets across to the pipeline, and goes on to one of our tankers, and it's delivered to the East Coast. You just don't shut that down and say, we're going to take it around the horn. Now would there be a possibility to give preferential treatment to a tanker that keeps the 600,000 barrels of oil flowing steadily?

Mr. MCAULIFFE. No, sir. There would not. We could not give any priority. But as we have witnessed during the final days of the shipments of Alaskan/North Slope oil through the Canal, many of those tankers actually were booked, that is to say, the owners made advanced reservations for the ships which would have the effect of giving them a priority over other arriving ships.

Mr. YOUNG. Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, Mr. Young.

Let me restate the committee rules so that there is no misunderstanding in the future. Committee members are recognized for questions and statements in the order of their appearance at the opening of the hearing.

And the next gentleman in order of appearance at the opening of the hearing would be the gentleman from California, Mr. Bosco.

Mr. Bosco. Thank you very much, Mr. Chairman, and it's a pleasure to have Mr. Gianelli, and Mr. McAuliffe, and Mr. Rhode here.

I read a front page article in the New York Times on March 7th that painted a different picture of the Canal's operations than you did this morning. This article calls into question the maintenance of the Canal, particularly the responsibility that the Panamanian government has toward it. And I'd like to ask you a couple of questions about that. One, Article 9 of the Treaty prohibits special fees and taxes imposed by the Government of Panama unless a vessel going through the Canal stops at a Panamanian port. And yet, apparently, General Noriega's government has attempted to impose a lights and buoy fee. Are you aware of that and do you believe that is a violation of the Treaty?

Mr. GIANELLI. Yes, we are aware of it. But it is my understanding that, the collection of that fee has not actually been enforced.

Mr. Bosco. Has our Government protested the imposition of that fee?

Mr. GIANELLI. Yes, we have. Mr. Abrams may want to respond further to that.

88-261 0 - 88 - 2

Mr. Bosco. And secondly, has there been any attempt on the part of the Panamanian government to violate the first-come, first-serve rule as far as transit through the Canal, for either military vessels or other vessels?

Mr. McAuliffe. Mr. Bosco, I will pick up on that point. There have been a few incidents, fortunately few and far between, wherein members of the defense forces of Panama have attempted to in effect run a ship through the Canal ahead of its normal schedule, and in one instance, even without a Canal pilot aboard. None of these efforts succeeded, and in all cases when the matter was brought to the attention of the proper military authorities and civilian authorities of the government, apologies were made, and assurances given that it would not happen again.

I do feel that in these instances the actions taken were by junior officers who felt that they really had a mission to get the ship through regardless. And it didn't work.

Mr. Bosco. And I would be correct in assuming that the recent turmoil in Panama hasn't exacerbated that particularly?

Mr. McAuliffe. Not at all. Not at all.

Mr. Bosco. Let me ask you, this same article points out that the railroad, ports, marine bunkering, air traffic control, lights and gangways, are all in various stages of disrepair. I might ask for a very brief comment on that, but I'd like to ask for a more detailed response at some future time from you on those points, because it does contradict your testimony that the Canal is in perfect order.

Mr. Gianelli. Well, I think you have to distinguish between the Canal itself and the facilities for which the Government of Panama may be responsible Mr. Bosco.

For example, we turned over the railroads to them when the Treaty became effective. We have been, we the United States, have been very critical of the maintenance of that railroad. Now that's not, as I understand it, a treaty violation. We turned it over to them, we assumed that they would maintain it. They're not maintaining it. But it's not, as I understand it, an official treaty violation. So you have a number of items that may not be in this category. So it is necessary to separate out those items which we have transferred to the Government of Panama, and, thus it becomes their responsibility as compared to those things which are a continuing treaty obligation.

Mr. Tauzin. Would the gentleman yield?

Mr. Bosco. Yes. I'd be happy to yield.

Mr. Tauzin. Mr. Gianelli, you expressed this concern at an earlier time and the gentlemen from California has resurrected it here, and that is the concern that as we turn over maintenance and operation of the Canal to the Panamanians, assuming this situation is resolved and back to peace and everything moves forward nicely and smoothly; the concern is that having turned over the railroad and watched its lack of maintenance and operation, are we seeing or could we expect a similar occurrence in the Canal itself. I think you've commented publicly before. Would you comment again on that?

Mr. Gianelli. Yes. I think the Canal and its operation are in a separate category. As you know, Mr. Chairman, we have a very extensive program to train Panamanians to operate the Canal and all

of its aspects. And we are certainly hopeful by the year 2000 that we will have adequate Panamanian personnel trained to continually operate the Canal in the future. Now, of course, it is a concern of everybody that the Panamanian government at that time does not try to politicize the Canal. We can not guarantee what will happen at that time, but I think as far as we're concerned, we are taking steps to train Panamanians to operate the Canal, so that when it is turned over in the year 2000, there will be adequately trained personnel to continue that operation. There were no such arrangements with respect to the railroad. There were no training programs. That was merely turned over to them lock, stock and barrel.

Mr. Bosco. Mr. Chairman, Chairman Jones has asked me to ask one question, which I will if you'll permit.

Mr. TAUZIN. Certainly.

Mr. Bosco. And that is, can you envision any scenario under which the Commission will need extra funds to operate and protect the Canal, funds that would have to be appropriated on an emergency basis by the Congress? And I imagine this would mean in relation to the current turmoil occurring in Panama.

Mr. GIANELLI. Well, we don't anticipate that, Mr. Bosco, but of course what will happen in the future is fairly uncertain. It would be hard to give some sort of a positive assurance that we would not have a problem along that line at some time in the future. We do not anticipate it now, but we have made some provisions this last year to take care of certain contingencies.

We have been able to purchase catastrophe insurance to cover certain aspects of down-time of the Canal, and things like that. But in terms of your specific question, I don't think we can give you a guarantee. I think it all depends what would happen in the future.

Mr. Bosco. I won't even speculate as to what the cost of that insurance must be.

Thank you.

Mr. TAUZIN. Thank you very much.

For the benefit of the committee and those present, this hearing has been informed that the House has just begun 40 minutes of debate on the Resolution reported out of the Foreign Affairs Committee, dealing with the situation in Panama. That debate will last for 40 minutes and there will be votes expected at the end.

Again in order of appearance at the beginning of the hearing, Mr. Weldon of Pennsylvania.

Mr. WELDON. Thank you, Mr. Chairman.

Mr. Gianelli, I just have questions along one line. That is, you've had a chance to read the legislation that was introduced, H.R. 4126?

Mr. GIANELLI. We haven't seen that, but I think the Chairman has indicated——

Mr. WELDON. You know the thrust of the legislation?

Mr. GIANELLI. Generally, from what the Chairman has indicated, but we haven't seen an actual copy.

Mr. WELDON. My questions are in line with that legislation. I think that's going to be at the forefront of our discussions for the next several weeks.

What ability do you have, or what assessment would you make that this would have in reprimand on the economy of Panama in terms of putting in these kinds of escrow accounts to hold the fees generated from the Canal itself? And secondarily, I guess, since you haven't read the bill, the Commission has not obviously taken a stand on this legislation, what would be your personal comments on this type of legislation? I read your testimony. Your testimony mentioned that you don't want the Canal to become a focal point of U.S. policies and issues, and I tend to agree with that. However, in light of other things that have been done by the Administration and is likely to be done by the legislative body of this Country, what would be your personnel views about this type of legislation as a part of a package we would implement?

Mr. GIANELLI. Well, I think probably Mr. Abrams will want to comment further in terms of the entire U.S. position.

But again, I just want to reiterate what you alluded to, and that is that we are concerned about involving the Canal itself in connection with some of the political problems of Panama. Having said that, I recognize the importance of doing whatever we can to carry out what this government's trying to do at the present time.

Mr. WELDON. What about the economic impact? Do you have any idea what it would cause in terms of the Panamanian government, if we in fact implement this legislation?

Mr. GIANELLI. I don't think we'd be prepared to respond to that, Mr. Weldon. I'm sorry.

Mr. WELDON. Thank you.

Mr. TAUZIN. Thank the gentleman.

The gentlelady from Maryland, Ms. Bentley.

Ms. BENTLEY. Thank you, Mr. Chairman.

Mr. Gianelli, I was interested in your remarks about the maintenance, or the lack of maintenance on the railroad area, and that you are trying to train Panamanians to maintain the Canal properly. In my work with Third World countries over the years, I have found that one of the biggest problems in all of these areas is their failure to understand the importance of maintenance of equipment. And I think this is a problem which could really hit us very hard in that area when we finally turn the Canal over. I'm glad to see you're taking some steps. Is there anything you can do about the railroad?

Mr. GIANELLI. Well, I think the railroad is outside of our control, Mrs. Bentley. I think we have been very unhappy about the condition of it.

Let me respond to the other point that you made. I think your point is well taken, but I think we are trying very hard to instill in the Panamanians when we are training the importance of adequate preventative maintenance. That's one thing, as you probably recognize, that has been keeping the Canal running all these years. And hopefully we will be able to do that by the time we turn over the Canal to them. But the political will, of course, is another thing and we'll just have to wait and see on that.

Ms. BENTLEY. Are there any Panamanian troops being used along the Canal now?

Mr. GIANELLI. Not along the Canal. They are providing certain security at certain areas, but as you say along the Canal, I assume you mean along the 50-mile length of the Canal.

Ms. BENTLEY. Are any U.S. troops there as well in the area?

Mr. GIANELLI. We have troops in the area, but they're not engaged in providing security for the Canal at the present time.

Ms. BENTLEY. At all? They're not involved at all, the U.S. troops?

Mr. GIANELLI. No.

Ms. BENTLEY. What, in your opinion, would it take to get the Canal back in the hands of the U.S.? And Mr. Young said that he was the only one on this committee who voted against it. I wasn't here then or I would have voted against it. So, I'm saying now, what would it take to get——

Mr. GIANELLI. I think we'll have to defer that to people other than ourselves, Mrs. Bentley. I just wouldn't feel qualified to respond to that.

Ms. BENTLEY. Would you support such a move?

Mr. GIANELLI. Well, again, I don't know exactly what position our Government would take. We'd certainly support whatever position our Government would take.

Ms. BENTLEY. Mr. Gianelli, you've been down there long enough, and you've been associated with the Canal long enough that you would have the expertise that many people in our Government don't have. What would be your opinion on that?

Mr. GIANELLI. Well, I, again Mrs. Bentley, hope very much that we're going to be able to comply with the terms of the Treaty, and that's been our official position. We're certainly going to do that.

Ms. BENTLEY. Your personal opinion, how about that?

Mr. GIANELLI. I don't guess I have a personal opinion right now, thank you. [Laughter.]

Ms. BENTLEY. All right. I won't press you.

Mr. Chairman, I ask unanimous consent to include an opening statement in the record.

Thank you very much.

Mr. TAUZIN. Thank you very much, Ms. Bentley. Do you have a personal opinion, Ms. Bentley? [Laughter.]

[The opening statement of Ms. Bentley may be found on p. 77.]

Mr. TAUZIN. Thank you very much.

One final thing, Mr. Gianelli, and thank you very much for your very candid discussion on this matter. Providers of services to the Canal Zone have made inquiries to our subcommittee about the continued operation of the Canal and their concern about providing services, and getting paid for those services to the Canal. I suppose a word from you about their situation would be welcomed at this point.

Mr. GIANELLI. I'm not quite sure exactly what your alluding to, except if you're——

Mr. TAUZIN. Well, they're concerned about getting paid if they do services for the Canal.

Mr. GIANELLI. Well, we're making arrangements to continue to pay our employees, and they of course will be paid. And Mr. McAuliffe has made arrangements to cash their checks for them, so they can carry out some of the things that they have to do in terms of providing adequate food supplies, because of the requirement down

there that everything must be paid for in cash. So thus far, we've been able to, with the cooperation of other U.S. Government agencies take care of our employees and make certain that they're paid so they can provide food for their families.

Mr. TAUZIN. Is there any problem with payment of contractors and others who are providing services?

Mr. GIANELLI. There hasn't been so far, Mr. Chairman.

Mr. TAUZIN. Should they expect any difficulty?

Mr. GIANELLI. We hope not.

Mr. TAUZIN. Well, I want to thank you again on behalf of the subcommittee for your testimony, and would ask you, please, to keep us informed in writing as developments tend to occur.

Mr. GIANELLI. Yes. And let me say, Mr. Rhode is continually in touch with Panama, and in touch with me, and certainly we'll continue to do that, Mr. Chairman.

Mr. TAUZIN. One final thing, perhaps you can help to clarify us on the law here. The Canal Treaty requires for a Panamanian Administrator by the year 1990.

Mr. GIANELLI. Yes.

Mr. TAUZIN. God forbid this unrest and instability should continue until then, but what is the law on the appointment of the administrator? Is that done by the Government of Panama or is that done by the President of the United States?

Mr. GIANELLI. The Treaty provides that in 1990 the Administrator and the Deputy Administrator will change positions. That is the Administrator will be a Panamanian, and the U.S. representative will be the Deputy Administrator. Now the Administrator has to be appointed by our President and be confirmed by our Congress. So it seems to me that both the Congress and the Administration at that time will be deeply involved with the appointment of an Administrator. And that will be extremely critical between the year 1990 and 2000.

Now let me hasten to add right on top of that statement that the Treaty provides that the Board will stay in its present form until the year 2000. That is, there will five U.S. representatives and four Panamanians until the year 2000. So it's going to be a very interesting time between 1990 and the year 2000 with a Panamanian Administrator and a Commission that's controlled by the United States. But that's what the Treaty provides for.

Mr. TAUZIN. I suspect it's going to be an interesting period of time all over. [Laughter.]

Mr. GIANELLI. Yes, sir.

Mr. TAUZIN. Thank you very much.

Mr. GIANELLI. You're very welcome. Thank you, Mr. Chairman and members of the committee.

Mr. TAUZIN. We will now take as the third panel, the combination of Mr. Elliot Abrams, the Assistant Secretary for Latin America, Department of State, and also Mr. Robert Pastorino, Deputy Assistant Secretary for Inter-American Affairs. And we welcome you to the committee today, gentlemen, and invite your testimony at this time. We'll begin with Mr. Elliot Abrams.

Your prepared statement will be inserted immediately following your oral presentation.

STATEMENT OF ELLIOT ABRAMS, ASSISTANT SECRETARY FOR LATIN AMERICA, DEPARTMENT OF STATE

Mr. ABRAMS. Thank you, Mr. Chairman. I'll try to be very brief in the opening statement. If I were to pick up on every statement referred to me by Mr. Gianelli, I think we'd be here until Sunday night.

Today, as you know, there is a political crisis in Panama with roots in charges of official corruption, fraud, undemocratic practices, and most recently, of illegal involvement in drug trafficking and related criminal activities.

We believe these problems can only be resolved by supporting civilian constitutional rule and the legitimate Delvalle Government of Panama.

We've been through a lot of the material in my prepared statement. I don't think there's any point in repeating it. It's certainly worth noting that we have a very firm view about supporting President Delvalle as the legal, constitutional president of Panama. One interesting note on this, this very week the Civic Crusade and the opposition parties in Panama have joined together in support of President Delvalle, and Vice President Esquivel, and in noting that they would join together as soon as they could in a kind of coalition government that would represent virtually every significant political force in Panama.

I think we've been through the financial situation. With respect to narcotics, I think you're all aware that Panama's location and the fact that it's financial system is a dollar system, has made it a key transshipment point for drugs and a key money laundering center for drug traffickers.

In early February General Noriega and others were indicted by two Florida Grand Juries, one in Tampa, and one in Miami, on charges of profiting from drug trafficking, protection of traffickers, and that was the final straw in a situation that had already been deteriorating pretty rapidly.

I want to say one word about the PDF, the Panama Defense Force. I want to say that the United States Government has no ill will whatsoever for the Panama Defense Force as an institution. In fact, we have a great deal of respect for the accomplishments of the PDF, in particular over the last 10 years or so, the accomplishments of the PDF in Panama's rural areas. It is a vitally important part of Panamanian society.

What we want to see the PDF do, and we've said this many times, is to take immediate steps to remove that institution from politics, deal with the corrupt few in it, and modernize the PDF to carry out its military tasks in defense of the Canal. Deep military involvement in politics weakens both the civilian and the military institution, just as it detracts from Panama's ability to fulfill its crucial role in defense of the Canal. In professional military matters, the Panamanian military can continue to count on the full support of the United States.

The issue today in Panama, just to conclude, is civilian government and democracy. Civil unrest, official corruption, denial of press freedom, and the drug scandals have undermined the confidence of foreign investors and of users of Panama's service oriented

economy. While the banking sector is suffering most right now, larger interests are at risk. And of course, you've been talking with the Panama Canal officials about the future of the Canal itself. It's critical that Panama be able to maintain the confidence of users of its financial system for the long run, and users of the Canal. Today's crisis puts Panama's future on the line.

The best guarantee, we think, of Panama's continued stability and well-being is a civilian constitutional government with a professional non-political military service that enjoys the confidence and support of the Panamanian people.

Thank you.

[The prepared statement of Mr. Abrams may be found at the end of the hearing:]

Mr. TAUZIN. Thank you, Mr. Abrams.

Mr. Pastorino.

STATEMENT OF ROBERT S. PASTORINO, DEPUTY ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF DEFENSE

Mr. PASTORINO. Thank you, Mr. Chairman.

Mr. Chairman and members of the Panama Canal Subcommittee, I am Robert Pastorino, Deputy Assistant to the Secretary of Defense for Inter-American Affairs.

We in the Defense Department, are obviously very concerned about the situation and the potential danger it poses for the security of the Canal and for military and civilian personnel in Panama.

The Defense Department's interests and responsibilities in Panama under the Panama Canal and Neutrality Treaties, center around the Canal's safe, efficient operation, our continued access to it and our ability to defend it. As you know, obviously the security of the Canal is vital to U.S. National security. There is also a very strong link between our activities in the region and our Canal defense responsibilities.

Threats to regional stability represent potential threats to the Panama Canal. In order to carry out our defense responsibilities, the Southern Command has a total military strength of over 10,000 military personnel located at five major bases and at other locations in Panama. DOD civilians, both U.S. and Panamanian, number 6,000 and there are approximately 14,000 dependents. We have viewed the situation in Panama and the resultant risks to our personnel and assets, particularly the nearly 6,000 DOD personnel and their 14,000 dependents, with concern from the outset of the difficulty in Panama.

Our personnel have been issued appropriate cautions concerning their personal movements and their offbase activities. There have been some incidents of harassment and arrests, without cause, since last June. The most recent one occurred February 22nd and involved the arrest and detention of 28 service members for allegedly abusing the wearing of uniforms in Panama City. These personnel, all of whom were observing uniform wear practices in effect since 1979, were later released without charges. This incident, as well as one or two others which had occurred previously,

have been resolved through the appropriate Tr... echanisms and with appropriate protests.

The Commander-in-Chief of Southern Command... een able to execute all of his responsibilities thus far without... entation of personnel, or increased readiness posture. We ha... indications at this time of a pattern of harassment of U.S. m... personnel. The incidents that have taken place though are a... ple of harassment and retaliatory measures which could be... if the current crisis escalates.

Regarding specific areas of interest that were... ned in the letter to the Secretary of Defense asking for te... y at these hearings, I would first like to address the issue of... adquarters of SOUTHCOM. That command is based in Pana... rsuant to a Status of Forces Agreement in implementation of t... ama Canal Treaty.

As you know, the base rights in Panama exten... 31 December 1999. The presence of SOUTHCOM headqua... whose chief responsibility is Canal defense, predates the trea... is not prohibited by the treaties. The U.S. considers tha... ma has no basis for objection to the presence of SOUTHCOM... more than eight years after entry into force of the treaties. C... by its conduct Panama has recognized and accepted the... acy of the continuing SOUTHCOM presence in Panama.

Regarding your concern over the possible e... of Panama Canal payments, including the one for services v... could result in a possible suspension of security service by Pa... no decision has been made on what to do with these funds. T... e, as Secretary Abrams has pointed out, among other econo... d financial issues, is being considered right now at the hig... evels of the Government. I would only say that should there... ilure to perform security services that are due to our peo... at would be considered a violation of the Treaty.

I would like to make one more remark in refe... o what Secretary Abrams said about the Government's at... toward the Panamanian Defense Forces. I, as a member of t... nse Department, would like to associate myself with those r... s that Secretary Abrams just made.

Thank you very much. And I, along with Secr... Abrams, will be ready to respond to your questions.

Mr. TAUZIN. Thank you, Mr. Pastorino.

Mr. Secretary, first of all, March 15 is upo... the Ides of March. But on that date, our Commission will... ding to the Government of Panama $7 million representi... months installment of approximately $80 million that wi... ue this year from the Commission to the legitimate Gover... of Panama. The leadership from this committee, Ambassad... and others, have recommended that money be placed into e... with the exception being that the Commission be allowed to... r those services and security arrangements which are inclu... I think, the $10 million a year agreement for the provision o... services.

Now, Congress only has a couple of days to a... e're going to act. We have requested the Administration to... efore March 15th. But if we do not get a clear signal from t... ministration today, we will lose more time and our time is... The bill we

have filed yesterday will have to move rather rapidly through the legislative process. We have the option of reporting the bill to the full House by agreement and taking it up under suspension on Monday and Tuesday of next week. But that will take some arrangements today. And so, I suppose I've got to kind of put you on the spot. We've got to know. Is the Administration going to agree with our request, and on its own volition escrow those funds, or is your advice for us to push forward with the legislation if we feel strongly about it?

Mr. ABRAMS. That question will be decided by the President today. But I don't have the answer right now. So we'll have to be back in touch I guess, with you.

Mr. TAUZIN. That's fair enough. We will get an answer today?

Mr. ABRAMS. I believe you will.

Mr. TAUZIN. Thank you.

Secondly, you heard, Mr. Secretary, Mr. Pastorino make the very clear statement that the security arrangements by which General Noriega and the PDF provide security to personnel and property within the Canal Zone, is one that is integral to the Treaty itself, and that his failure, or the PDF's failure to faithfully fulfill that requirement, assuming we're going to pay them for it, as we have accepted in our bill, would be considered a major violation of the Treaty. Is that the same sense you have of that particular arrangement and its importance within the Treaty?

Mr. ABRAMS. Yes. I think one has to say there are a variety of levels of defense of the Treaty. The ultimate defense of the Treaty is SOUTHCOM, and the 10,000 Americans who are down there.

On a day-to-day basis, I believe, and we can ask Mr. Gianelli, I believe that PCC has its own kind of guard force, small yes, it's a small guard force that provides what you might call industrial security of the premises. But the answer to your question, I think, is yes that there are a variety of Panamanian obligations under the Treaty, one of which, for example, is providing normal police protection. The kind that would be provided to any entity in Panama. And a denial of that police protection, or fire protection would be a violation of their responsibilities.

Mr. TAUZIN. Of course we are caught in an awkward situation in that regard. The personnel and dependents within the Canal Zone have asked me to ask you about the awkwardness of that situation where Noriega is providing the police protection at a time when our Government is using very forceful measures to at least help in his removal, as required by order of the President of the Government of Panama, whom we recognize. How do we answer that concern by constituents that this is a rather awkward position for them to depend upon protection and security?

Mr. ABRAMS. Well, it is an awkward situation. There's no way around that. I think you're right. I think I would say that thus far, General Noriega has not attempted to get into that kind of confrontation with the United States, neither with respect to the bases, nor with respect to the Canal. And there is no indication that he is moving in that direction, and it would be a mistake for him to move in that direction.

Mr. PASTORINO. If I might, Mr. Chairman, add.

Mr. TAUZIN. Yes, Mr. Pastorino.

Mr. PASTORINO. I would mention that we have received several signals from General Noriega and other members of the defense forces that they do not intend to target the American facilities or American personnel. Thus far that has been the case. Obviously I cannot guarantee how long that might continue.

Mr. TAUZIN. Here's a tough one for you, Mr. Secretary. The policy of our Country up until very recently has been literally to work with and to accept somewhat of a military dictatorship in Panama, where Noriega literally controlled the politics of that country for some time. The Panamanian Government was heavily influenced, if not controlled by his authority. Would we have changed our policy in that regard were it not for the drug indictments of Noriega?

Mr. ABRAMS. First, it has been our policy to urge that that kind of military domination end. We began to urge that—he removed President Barletta, in a sense, in September 1985, although Barletta formally resigned, which President Delvalle has not done.

Mr. TAUZIN. There's no question that Noriega removed Nicky Barletta from office.

Mr. ABRAMS. Well, he—let us say he induced him to resign under circumstances——

Mr. TAUZIN. I think we understand that language.

Mr. ABRAMS. Shortly thereafter, that was September 1985, and within months of that we began, directly with General Noriega, and indirectly pressing for the military to get out of politics. We did it privately and we did it publicly in speeches, as long ago, I guess, as certainly last summer. And we kept repeating this theme of the need to get the military out of Panamanian politics.

The trip of Assistant Secretary Armitage, Assistant Secretary of Defense, to see General Noriega, was part of this same effort to urge him and the guard to get out of politics. But I think that you are correct in saying that a corner was turned with the indictments. It's one thing when you're dealing with, you know, rumor, gossip and so forth, accusations which swirl around. It's another when you have someone who is under two, two indictments for drug trafficking. And that certainly has changed our relationship with General Noriega, completely.

Mr. TAUZIN. And finally, what effect will the proposed sanctions against Panama have on other U.S. Government projects in Panama, such as the very important Smithsonian Research Station there?

Mr. ABRAMS. They shouldn't have any. And we hope they don't have any. And I should say also that the sanctions—we hope these are not long lasting sanctions. What we'd like to see is a quick resolution of this problem. But they should not have any effect on such a program as the Smithsonian down there. Aid—I should just say, aid, as you know, is suspended both by us and by Congress, so that that's not in the picture.

Mr. TAUZIN. And finally, let me point out, Mr. Secretary, that we were recently in Panama, and State Department personnel there—this was prior to the drug indictments of Noriega—gave us rather clear assurances that Noriega was cooperating with our efforts in drug interdiction, and in the prevention of money laundering in Panama, gave our committee members rather broad assurances

that we had no evidence of Noriega's involvement in drug trafficking. And very shortly thereafter the drug indictments were rendered by the United States Justice Department.

For the record, Mr. Secretary, there is some amount of frustration on the part of the members of this subcommittee with the fact that we received incorrect information, and it leads us to believe that someone in Panama did not have that information, which is a bit frightening, or that our subcommittee members were somehow soothed with incorrect information, when there was grave concern by members about potential drug dealings by Noriega, and in particular, his activities in drug smuggling into this country. I make that statement. If you wish to comment you can. I just want to put it on the record that when this subcommittee deals in Panama, as we very often must and will in the future, that we hope and expect to get more accurate information than apparently we received on the last trip.

Mr. FIELDS. Will the Chairman yield?

Mr. TAUZIN. I'll be happy to yield to the gentleman from Texas.

Mr. FIELDS. Prior to giving your answer, let me also say I'm a little—not a little, I'm very distressed because I sat in the meeting that the Chairman was talking about, late May, 1987, early June, 1987, and not only did we talk about drug involvement of General Noriega, we also talked about gun running, we talked about money laundering, and we were in essence told that there were rumors to that effect, but that our State Department had no specific information. So I guess I'm distressed like the Chairman. I don't know if our State Department did not have good intelligence, or whether they felt they could not share that with us. And of course, Mr. Tauzin and myself do not have reputations for being flaming liberals and not loyal to our Government, or whether we were just purposely misled.

Mr. ABRAMS. During this entire period under which there have been Grand Jury investigations going on, I think you have, first of all, a legal problem with what the Justice Department is allowed to share with anybody outside of Justice—the State Department or Congress. Some statements to you would violate grand jury secrecy. And since the main purpose of their endeavor was to see if they could get an indictment, I'm not sure how much they could have told you. I can tell you that your state of knowledge, last May or June, which was about seven months before the indictment, was the same as we had. That is, a lot of rumors about General Noriega, for years, but when it came down to saying, well if this is all true, why doesn't any grand jury anywhere ever indict him, the answer was always, well rumors are one thing, and probable cause is another thing, actual hard evidence is another thing. And in fact, the two U.S. Attorneys in question did not get that hard evidence until December of this year.

Mr. FIELDS. Mr. Secretary, if I could interrupt you——

Mr. TAUZIN. I'd be happy to yield again.

Mr. FIELDS. If my memory serves me correctly, in that particular meeting we had an intelligence officer, not the Justice Department, but we had an intelligence officer sitting in on that particular meeting there at the U.S. Embassy. And I guess, again, the distressing factor is we asked very specific questions, and as we look

back it appears that, you know, our intelligence apparatus, our State Department has known for a long time about General Noriega's direct involvement in the drug running, gun running, money laundering, and again I come back, that was not shared with us in that particular meeting in response to specific questions that we had.

Mr. ABRAMS. I guess I wouldn't agree with that in the sense of, you know, knew about. What does knew about mean? Heard rumors, yes. And if you'd asked me if I believed them, I'd have said yes. But that's different from saying, yes it is certainly true and it is sufficient legally to warrant indicting someone. You know, rumors about General Noriega's involvement in all of this have been around for years, but hard evidence has not been available, and when it became available the Justice Department went right ahead with two indictments.

Mr. TAUZIN. Mr. Secretary, I don't want to belabor this any more than Mr. Fields does, and perhaps we need to have some discussions with your office following this hearing. But there was an intelligence officer, and we asked that question, do you believe any of those rumors, and we were told no. We were told on the contrary that Noriega was cooperating with our efforts in drug interdiction and efforts to stop money laundering. In addition, we've heard since then about meetings between Noriega and Castro. I'm sure the State Department is aware that Mr. Noriega and Castro had meetings dealing with drug operations. My point is, like the Minority Ranking Member here, that if we're going to deal in the future, we must do it in a proper fashion. That I think perhaps the frustration that we feel must be dealt with, regarding on how we're provided with information about critical elements of our committee's jurisdiction in reference to the Panama Canal.

Mr. FIELDS. Mr. Chairman, can I ask——

Mr. TAUZIN. I'd be happy to yield, again.

Mr. FIELDS. I know we have to go vote on the Resolution, but Mr. Abrams, since we have you here, let me ask you a specific question.

Have we made, or are we making any type of specific deal for General Noriega to leave?

Mr. ABRAMS. No. No such question has been raised with or by General Noriega.

Mr. FIELDS. Is there any prospect that we would drop the charges?

Mr. ABRAMS. I can only tell you what I've been told by the Justice Department, which is that they would be extremely strongly opposed to any such move. They think they have a very strong—well, they think they have two very strong cases and their intention is to pursue them. And that is what we conveyed to the Panamanian——

Mr. FIELDS. And if General Noriega were to leave, we could not pursue, through legal channels of General Noriega to bring him to justice?

Mr. ABRAMS. Well, the extradition treaty with Panama, let me say, does not cover Panamanian Nationals. So as long as he were to stay in Panama, there would be no real way to go at it.

Mr. TAUZIN. Mr. Secretary, members have left to vote on the Panamanian Resolution that's coincidentally on the Floor right

now, and Mr. Fields and I will have to run and make that vote as well, and since we do not have anyone left to sit in the Chair temporarily, we're going to recess for a few minutes. We want to reserve some time for other members to ask their questions. And I have some questions of Mr. Pastorino. So, we'll recess temporarily and we'll reconvene in about 10 minutes.

[Recess.]

Mr. TAUZIN. Let me cancel the recess quickly, and ask you all to settle down again, Mr. Bosco has returned from the vote, and I will ask Mr. Bosco to take the Chair, as Mr. Bosco I know has some questions, and he'll continue the hearing until Mr. Fields and I return.

Mr. Bosco, I appreciate it. The hearings are reconvened.

Mr. BOSCO [now presiding]. Thank you.

Mr. Abrams, I'll ask you the questions that I had, even though I wasn't hear, obviously, to hear where we left off. But I did have some questions.

Your announced interest in removing the Panamanian Defense Forces from politics, I assume that also would remove them from the United States politics vis-a-vis Nicaragua, is that true?

Mr. ABRAMS. I'm not sure I understand what you mean.

Mr. BOSCO. Well, you said that you wanted to remove the Panamanian Defense Forces from politics. Is that just simply Panamanian politics, or would it be removing them from what has been reported as their role in helping in training the Contras and otherwise participating in our politics with Nicaragua?

Mr. ABRAMS. Well, I don't see that that's got anything to do with U.S. politics. It has to do with domestic politics is what we're talking about in Panama. What we are talking about is reestablishing civilian control of the military in Panama.

Mr. BOSCO. I see. And so you wouldn't see that as interfering one way or another with their helping us with our politics in that region?

Mr. ABRAMS. Well, that's a decision for the President of the United States, and the President of Panama. But the point I was trying to make, is the point about civilian control of the military.

Mr. BOSCO. You mentioned that in early February the Grand Jury indicted General Noriega for drug trafficking. Is that the first instance the State Department knew of Gen. Noriega's involvement in drug trafficking?

Mr. ABRAMS. It's certainly not the first accusation. But what we had been told by the U.S. Justice Department was that there were a lot of accusations around, but nothing that you could consider solid, and could bring a case on. So what we had prior to that was a very active rumor mill, but nothing solid.

Mr. BOSCO. A very accurate?

Mr. ABRAMS. A very active rumor mill. It's also true, just to refer back to something the Chairman asked about before, the statement by some in the U.S. Government that General Noriega had been helpful on drugs. There are cases, and I'm not the expert on this, the people from drug enforcement are, in which he has in fact been helpful. And which in fact a boat was in Panamanian waters, for example, and permission was requested to board it, and permission

was granted almost instantly. Now I think one can see a pattern, and the pattern probably is that——

Mr. Bosco. It must not have been one of this boats.

Mr. ABRAMS. Exactly. He turned in his competitors. But nevertheless, there are cases on the record and one has to say, what's on the record. There are cases on the record of significant cooperation over the past few years, by the Government of Panama.

Mr. Bosco. But in your files there are incredible reports that General Noriega was involved in trafficking in drugs any earlier than this February indictment?

Mr. ABRAMS. There are a lot of accusations, and there are a lot of rumors, but there isn't anything solid. And we kept—you know, we—the State Department doesn't have an investigative capacity to do this. We kept going to the Justice Department and saying, what's the story. Is there anything that you view as solid here from a criminal point of view, and the answer was always no, until when they got something solid, and they moved instantly.

Mr. Bosco. During the time that these rumors were flying around, was General Noriega paid by the United States Government for any service?

Mr. ABRAMS. I'm not at liberty to discuss any question relating to intelligence matters at an open hearing. I don't mean to imply by that it's a positive answer, it's just that I think the subject is one that can't be covered here.

Mr. Bosco. I gather just from the press that there's a rift between the State Department and the Department of Defense, and either of you gentlemen could comment on this, as to how fast and how hard our Government should come down on General Noriega. I gather that the Defense Department is worried that if they were to move too quickly for economic sanctions, among other things this committee is considering, that it would imperil our defense of the Canal and the State Department is apparently feeling that we can't move any too fast. Can either of you comment on that?

Mr. ABRAMS. I think first that the policy which we're pursuing, which is a policy of trying to get the Panamanian military out of politics in Panama, and establish civilian constitutional government in Panama, has the complete and total support of every agency in the U.S. Government, and it's the President's policy. So we are all bound to support it, and we do.

Secondly, I would call your attention to the Armitage trip, which was in, I think, December, very early December. Assistant Secretary of Defense Armitage went to Panama and talked to General Noriega. And one of the main purposes of that trip was to try to undo, or undercut the view which we thought Noriega had, that criticism of him was a State Department position rather than a U.S. Government position. That is why we thought it's important that the Assistant Secretary of Defense go to make that statement, and to tell General Noriega that what he was hearing from Ambassador Davis, for example, was not Ambassador Davis's view or the State Department's view, but the view of the U.S. Government. And I believe that meeting had an impact.

The real question as to how we are going to proceed tactically with our policy, among the various choices you could make will be made by the President probably today.

Mr. PASTORINO. I would like to respond just briefly. We, at the Department of Defense, have the same goals within our policy, which are the goals of the U.S. Government policy, return the defense forces to the barracks, full transition to the democratic system.

Now obviously, we have different emphasis on different aspects of what the policy is. As we have been considering these economic financial measures, we have been looking for measures which basically secure our own interests, provide for future economic interests for a future democracy in Panama, and so I would say that as far as goals are concerned we're on the same wavelength. As far as tactics are concerned, we're looking for the prudent, appropriate measures which will get us to that goal as quickly as possible.

Mr. BOSCO. And timing may be part of that, as there is more of a sense of emergency on your part than the other?

Mr. ABRAMS. I wouldn't think so. I think there is really a sense on the part of every agency that the sooner this crisis is over, the better, and let's get back to a normal Panama.

Mr. BOSCO. Mr. Brennan.

Mr. BRENNAN. Thank you.

Mr. Secretary, earlier this morning Ambassador Sosa testified that he expected Noriega to be toppled in a few days. From your expertise and your information in this area, do you share that assessment?

Mr. ABRAMS. How about asking Mr. Gianelli? [Laughter.]

I obviously hope he's right. And let's remember that what we're talking about here is not, you know, what the U.S. wants. The President of Panama has dismissed him. The question is when can that order be enforced. I hope that it is a matter of days, and I think there are a lot of variables, and I would be loath to predict.

Mr. BRENNAN. You hope that it's in a matter of days, but you just don't share that assessment. You just don't know?

Mr. ABRAMS. Well, I think it's very difficult to make a prediction. I think he's very courageous to do so. I hope he is right. I do think the situation in Panama is getting tougher and tougher for General Noriega. He's more and more isolated in the country and internationally. And I hope that he decides, or the PDF decides to comply with President Delvalle's order, you know, today. That would be the best.

Mr. BRENNAN. What sort of overtures have we made to our allies to deal with unrest to try to encourage the ouster of Noriega?

Mr. ABRAMS. After President Delvalle dismissed General Noriega, or separated him, I think was the word he used, and the subsequent events took place, that is his illegal effort to remove President Delvalle and Vice President Esquivel, we contacted all of the countries with an interest, and essentially our European allies, Japan and the Latin democracies. And I must say the reaction has been really very positive. There is hardly anybody, in fact I don't think there is anybody who has actually recognized Mr. Solis as the president of Panama. The Diplomatic Corps in Panama has refused to do so. The Latin American democracies have really refused to do so. The Europeans have been standing back as well. There was an inaccurate report last Friday, unfortunately, that Japan had decided to comply with this move by Noriega, but fortu-

nately it was not accurate, and Japan is standing with the rest of the democracies around the world on this question. So the reaction has really been quite good. That's why I say, he is really isolated.

Mr. BRENNAN. Is there any evidence at this time for support for Noriega from Cuba, from Nicaragua, from the Soviet Union, or from Libya?

Mr. ABRAMS. There is rhetorical support, particularly from Cuba, Nicaragua, and Libya. There have been some very strong speeches.

Mr. BRENNAN. But at this time is it limited to rhetorical support?

Mr. ABRAMS. It is limited to rhetoric. In the cases of Cuba—well, in all three cases, Cuba, Nicaragua, Libya, they don't really have any spare cash, probably Nicaragua being the worst off, to give him. There has been talk of Libyan money, but the Libyans have a history of talking big and not delivering. So the answer to your question is, it's just words at this point.

Mr. BRENNAN. If civilian controlled democracy is eventually restored to Panama, would the United States be willing to restore foreign aid to Panama, even if it means a substantial higher level of aid to offset the economic duress that's developed there?

Mr. ABRAMS. Well, we would certainly be willing in the Administration to restore the aid that's been suspended. You would have to do the same thing, because Congress has acted separately. And I think we would have to take a very careful look. It's a tough budget environment, and everybody would ask where's the money going to come from. But I would think that Panama has a very special relationship with the United States. It is absolutely unique. There's only one Panama Canal. And we would want to take a very careful look in seeing whether there was even more we could do.

Mr. BRENNAN. Is there anything special Congress should be trying to do now?

Mr. ABRAMS. We appreciate the expressions of support, bipartisan support, and we would appreciate seeing them in some kind of legislative form. I think it makes an impression on countries around the world, and within Panama that this is not a political issue in the U.S. That this is an issue on which both parties, and both branches agree. But beyond that, I think we have to wait until the situation resolves itself more.

Mr. BRENNAN. Thank you very much.

Mr. TAUZIN. Thank you, sir.

I'm happy to report, by the way, Mr. Secretary, that the House just almost unanimously approved the Resolution in support of our Government's policy in regard to Panama.

Mr. ABRAMS. Thank you very much, Mr. Chairman. That's a very important move on the part of the House, I think.

Mr. TAUZIN. I think it is.

The gentlelady from Maryland, Ms. Bentley.

Ms. BENTLEY. Thank you, Mr. Chairman.

Let me ask you what the official response has been of other Latin American countries to the unrest in Panama?

Mr. ABRAMS. It's been very good. We had very strong statements from, I guess first, from President Lusinchi of Venezuela, but then from Bolivia, Argentina, Uruguay, Peru, from El Salvador, and then the Group of Eight, which is the eight largest Latin American

countries, kicked Panama out. This was the group, originally the Contradora Group. And they had a meeting in Germany with European foreign ministers, and they did not permit a Panamanian representative to attend. So they have really been very strong in saying that they just will not countenance this kind of thing.

Ms. BENTLEY. What are Noriega's options if he were to step down at this time? Could he stay in Panama?

Mr. ABRAMS. I suppose he would have to try to work out an arrangement. He's probably safest in Panama, in that the extradition treaty between the U.S. and Panama does not apply to the citizens of Panama. But presumably there would have to be some kind of arrangement which would allow him to stay there. That's actually something that is going to have to be worked out between the Government of Panama, that is the legitimate government and the PDF itself, I think.

Ms. BENTLEY. Do you believe that the Delvalle coalition is strong enough to regain power and to hold it if Noriega steps down?

Mr. ABRAMS. I think so. Very often in a case like this the question we get is, well what's next. You know, it's easy to say, okay, the dictator should go, but then what government follows. In this case we can answer that question, because there is this coalition now involving really every party, which has said it would back President Delvalle in this period of about 15 months, I guess it is, a little bit longer, until the election, about a year and a half, maybe until the elections are over, the 1989 elections are over. So I think you'd have a government of national unity in that period with every party in it, until you got to the election.

Ms. BENTLEY. Mr. Young has left a couple of questions he wanted answered.

And what actions are being taken to assure that the flow of oil through the U.S. Gulf refineries would not be disrupted should something happen to the Panama Pipeline?

Mr. ABRAMS. First, we have no intention whatsoever, nor have we ever contemplated attempting to interfere with the flow of oil in the pipeline. There are questions about payments, that is true. About what—who gets the money that's paid in by the oil companies for that pipeline. If Noriega were to interfere with the operation of that pipeline, I think he'd be making a grave mistake. For one thing, he would throw hundreds of Panamanians out of work. Not all the oil—I believe this is the case, I'm not a hundred percent sure of this, but I believe there is some oil from South American countries that goes through that pipeline, and therefore, he would not just be disadvantaging—coming up from the South, you know, countries like Peru and Ecuador, and he would be hurting them, and so presumably they would also protest vigorously. And I think that this would be taken by the PDF and by the people of Panama as an indication that he is prepared to wreck the country to save himself, and I think he'd be undercutting his own position, if he ever tried that.

Ms. BENTLEY. Is there some consideration being given today by the Administration to wavering of the U.S.-flag regulations, serving the pipeline, to and from the pipeline?

Mr. ABRAMS. The lists of options I've seen do not include that.

Ms. BENTLEY. I would hope not, very much hope not.

Mr. Weldon wanted a question asked, which you did answer earlier about the Administrations position on 4126, and you said there would be an answer later today.

And then has any study been made of the economic impact on Panama if 4126 goes into effect?

Mr. ABRAMS. The Panamanian Government is in very, very bad shape, or I should say the illegal Panamanian government of General Noriega, financially, very bad shape financially. They start off in bad shape financially. They have just a mammoth deficit. Panama has the largest per capita debt of any country. The Brazilian debt and the Mexican debt are a lot bigger, but the per capita debt is larger in Panama. They can't pay the bills. The cash flow is now greatly reduced.

Our sense is that if the—as the cash flow is choked off, if it were choked off, the government would be unable, for example, to meet its payrolls. Since Noriega is in a position now where he really doesn't have any support except for people who are on his payroll, that is a very serious business for him, if he is unable to pay the PDF payroll and to pay the civilian payroll. There has been talk, for example—actually today is payday for the PDF. And there has been talk that he would marshal all of the cash he could get his hands on in Panama to make sure that he pays his soldiers. But that in itself has a deleterious impact. What about teachers? Teachers' payday is next week. Are you going to pay the soldiers and not the teachers? What is the political impact of that when the teachers get organized and start protesting that. So, the financial impact of these kinds of measures, we think will be pretty immediate on the government.

And as you know, we've been targeting the question of government finance.

Ms. BENTLEY. You said in answer to the Chairman and the Ranking Minority Member's questions a bit ago, that everything that you knew, or you heard about Noriega and his holdings and what he was doing was a rumor. And yet I understand that Noriega's had what, eight, six, eight or so villas all around the world, which would indicate that he had much more of an income than $50,000 a year. Wouldn't you have known something about that before?

Mr. ABRAMS. Well, I remember attending a meeting—I, myself, attending a meeting with General Noriega in 1985 and he appeared in a spanking new Lincoln Continental, which it seemed to me would have been difficult to acquire on a PDF salary. But that does not indicate, first of all, that if he has outside sources of income, they come from drugs. And secondly, it isn't proof. I mean, what do you do with that? Do you say, well you think to yourself, this guy is obviously involved in all sorts of illicit activities, but you can't do much with that until you get proof, and witnesses, and evidence that allow the Justice Department to move ahead. And I want to repeat again, they looked hard for it, and the minute they had it, they indicted him.

Ms. BENTLEY. Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you very much, Ms. Bentley.

Mr. Pastorino——

Mr. PASTORINO. Yes, sir.

Mr. TAUZIN. In regard to the second and third line defenses of the Canal, the question has come up among relatives of dependents in the Canal Zone, of the capacity of our forces in Panama to deal with civilian unrest in the Canal Zone, as opposed to military actions. Can you give us any assurance that forces are one, equipped, and two, trained to deal with perhaps instigated instances of civilian activity, mob violence, or what-have-you, that might indeed be part of somebody's plans one day?

Mr. PASTORINO. Yes. This is an issue that's always under review. It has been reviewed. And I think I can say here that SOUTHCOM has the capacity, has the people, that it could carry out this kind of responsibility in those areas where there are significant numbers of Americans at all times, such as the housing areas. It obviously cannot be carried out in every last corner of the Republic of Panama. But in those places where Americans congregate, this capability has been reviewed and under the current circumstances the capability is there.

Mr. TAUZIN. Mr. Secretary Abrams, in regard to what happens if and when General Noriega does remove himself from the scene, it was widely speculated, at least by opposition parties, which are now in support of President Delvalle's continued term of office, that Nicky Barletta's election was manipulated by General Noriega. They cited instances of Sendblas Indian election returns where votes came in in great excess of the number of Sendblas Indians. It sounds like something that might happen in Chicago, or in some Parish in South Louisiana, perhaps, but the problem there is the question that arises, so Noriega goes, what assurance do we have that other elements in the military, the PDF in Panama, may not continue to exercise corrupting influences on the next election in 1989, and the next government that arises from that election?

Mr. ABRAMS. There can't be an absolute guarantee of that, of course. And it's a year and a half away, but I think we have reason to be quite optimistic. There's never been this kind of political activity by the opposition in Panama. The strikes, for example, last week, that were about 80 percent effective, are something new for Panama. With this kind of unity, Panama has had a lot of political divisions in a multi-party system. This kind of unity is something absolutely unprecedented, of the parties and the Civic Crusade people behind the president.

And in his own statement of Tuesday, I think it is, President Delvalle and Vice President Esquivel put out a statement as to what they would do over the next year and a half. One of the things at the top of the list was a new electoral commission, an independent electoral commission to start now preparing for truly free and fair elections. And I think, and I hope, that after General Noriega's departure, the PDF would do what—you know, it isn't a sort of miraculous thing we're talking about, because it's happened all over Latin America. We're asking the military to assume the position that they've assumed in countries like Argentina or Uruguay, or Guatemala, where a free election was undertaken under the protection of the military at the time of the transition to democracy. So it's happened all over Latin America, and it just ought to happen in Panama now.

Mr. TAUZIN. The concern, of course, is not just political corruption, that occurs in this Country and all over the world. The concern is the military's intervention in the political process. I suppose that the concern is not so much that we can guarantee that it won't happen again, the concern is what will happen in terms of leadership in the PDF, when Noriega goes? Is it likely that someone will emerge who is less likely to be as corrupt or less interested in influencing the politics as Noriega apparently is.

Mr. ABRAMS. Gee, I think it's very likely that someone will emerge who's less corrupt than Noriega.

Mr. TAUZIN. I suppose that's a good question.

Mr. ABRAMS. Your question is a good one, and you know, we don't know. And I think, in fact, that this too is going to end up being a subject of negotiation between President Delvalle and the civilian parties and the PDF. I don't think, for example, that General Noriega will probably be the only person who departs when he departs. Some of the people most closely associated with him may want to leave as well.

But I think how that exactly is going to look, is in fact going to be the subject of an end game negotiation.

Mr. TAUZIN. Finally, pursuant to the terms of the Treaty, the United States has appointed members to the U.S., Panama, Japan Commission to examine the possibilities of a sea-level channel for a new canal for Panama. Like the situation regarding the Government of Panama itself now, which we consider illegitimate, and which we do not recognize, what is the position with regard to that commission and any future meetings of that commission?

Mr. ABRAMS. Well, that's being slowed down. As you point out, it's a tripartite thing—United States, Japan, and Panama—and just before this crisis started they were about to move ahead to negotiations with a consortium on designing and managing the study of—the canal alternative study, and environmental issues that would be connected with changes in the canal, improvements in the canal. But they've really slowed that down and they are not moving forward with that work because of the current crisis.

I mean, take for example, the travel advisory. They're reluctant—people who might be involved in that meeting would be reluctant to even go to Panama now. So I'd have to tell you that is kind of in abeyance for the moment.

Mr. TAUZIN. Mr. Secretary, I have in my hands a letter that has been signed by Chairman Walter Jones, and the Ranking Minority Member, Bob Davis, the Ranking Minority Member of this subcommittee, Jack Fields, and myself as Chairman of this committee, addressed to the Honorable George Schultz, which I'd like to just hand to you and perhaps you can hand carry it to the Secretary for us.

And I'll just read you the last paragraph: As members of the Merchant Marine and Fisheries, which has jurisdiction over the Panama Canal, we are deeply concerned about the political unrest in Panama. Because President Delvalle has been improperly prevented from directing the Panamanian government, we believe all meetings and activities of the Alternative Canal Study Commission should cease at once until our government certifies to us that the Panamanian members of the commission and the Panamanian em-

ployees of the Secretariat represent the true government of the Republic of Panama.

Again, I'd like to hand this to you as we conclude this meeting and ask you to hand carry it to the Secretary with our joint recommendation strongly held that these meetings cease until after we settle the business of recognizing the proper government of Panama.

Finally, Mr. Secretary, let me assure you that the actions of the House today, the questions you have heard, and the statements you have heard today by this subcommittee, reflect a very strong bipartisan support for your Department and the Administration's position in regard to continued, if you will, pressure to help the situation in Panama resolve in such away that the Panamanian people have again, their chance for democracy and freedom. And our jointly held view that the neutrality of the Canal Zone be respected, and that in all respects we try as much as we can to separate the unrest and the political turmoil in Panama from the very important, independent operations of the Panama Canal Commission, and the Canal itself.

I think now you have seen a very bipartisan support for your policies, and we only ask that you strengthen them a bit by ceasing this commission's activities and perhaps letting us know today that the President has agreed to escrow those funds. We will appreciate very much, hearing from you today on that subject matter, or directly, I suppose if the President makes a public announcement, as soon as possible, so that we might make a decision on the legislation we've filed.

Do you have any final comments, either one of you, that you would like to make for the record?

Mr. ABRAMS. Just thank you, Mr. Chairman, for calling this hearing, and for having the panels that you did here today. I think that it has helped a great deal in allowing us to explain our thoughts.

Mr. TAUZIN. Mr. Pastorino?

Mr. PASTORINO. Thank you, also. I'd like to express my appreciation for having been invited here, for having gone through some of these issues which are obviously extremely important to Panama and the U.S.-Panamanian relationship.

Mr. TAUZIN. Well, I want to express on behalf of all our members, our thanks to all of the witnesses on your cooperation and attendance today. I know it's not always pleasant to come to the Hill and testify, but you've been very candid and very open, and I think the hearings have in fact, perhaps, shed some light on a very, very difficult situation.

Finally, I wish to express publicly the sentiments of our committee for the people of Panama. We have and hold the people of Panama in high esteem, in high regard, and we are praying and hoping that this situation resolves in a way that peacefully leads back to democracy and freedom in Panama.

Thank you very much.

With that, the meeting is adjourned.

[Whereupon, at 1:10 p.m., the subcommittee was adjourned.]

[The following was received for the record:]

SUBCOMMITTEE
ON THE
PANAMA CANAL
AND
OUTER CONTINENTAL SH

HEARING OF MARCH 10, 1988
"The Situation in Panama"

BACKGROUND BRIEF

A LEADERSHIP CRISIS IN PANAMA

The growing political tensions between the United s and Panama are of particular interest to the Subcommi n the Panama Canal/Outer Continental Shelf which has j tional responsibility in the House of Representatives ov Panama Canal.

Relations between the two nations, long strained, continued to deteriorate following the February 5, 1988 fe ndictments of Panama's military commander General Manuel Ant oriega on racketeering and drug charges. In Senate hearin nesses also linked Noriega to the Nicaraguan Sandinista eftist rebels in El Salvador.

On February 25, 1988, President Eric Arturo Delv smissed Noriega as head of the Panama Defense Forces, a has held since 1983. The following day, in a hastily cal ting reportedly boycotted by opposition legislators, s National Assembly voted to remove President Delvalle for ly overstepping his constitutional authority. Nori ains at the helm of the Panama Defense Forces (PDF). De while in hiding, has refused to relinquish his presidency s been working with allies inside and outside Panama to ish civilian rule in Panama.

POLITICAL SUPPORT FOR DELVALLE AND ECONOMIC PRES AINST NORIEGA BUILDING IN U.S. AND PANAMA

Signalling U.S. support for Delvalle, President in a recent press conference indicated that he does n gnize newly installed Panamanian President Manuel Fals lier, the White House had reiterated its "unqualified supp civilian constitutional rule in Panama." Many Latin Amer tions, with the notable exceptions of Nicaragua and Cub publicly back Noriega, have expressed support for civilia under President Delvalle.

The United States, over the last year, has cut o tually all economic and development aid to Panama, suspende sugar

quota, and has warned U.S. civilians to avoid travel to Panama. A federal court has frozen nearly $50 million in Panamanian assets in U.S. banks. Last week Panamanian banks were closed (and remain closed) as Panama, which uses the U.S. dollar as official currency, began to run out of cash.

A general strike, which began on Monday, March 7, picked up support during the week as retirees, unable to cash pension checks, took to the streets in anti-government demonstrations. In the next few days, Panama faces government payrolls for both military and civilian workers.

Other economic sanctions are being considered by the U.S. Last week, senior members of the Merchant Marine and Fisheries Committee urged the Administration to place into escrow payments due the Republic of Panama under the 1977 treaty governing the operation of the Panama Canal. The next payment, approximately $7 million, comes due on March 15. The payment represents Panama's share of toll revenues and installments on two fixed $10 million per year payments specified in the treaty.

Meanwhile, the Panamanian leadership crisis has moved to the international diplomatic arena, where representatives of Delvalle and Noriega are battling for recognition as official envoys of Panama.

THE AMERICAN INTEREST IN PANAMA

Panama, a nation of 2.2 million people, is of vital national security interests to the United States because it is the site of the Panama Canal, the U.S. Southern Command, and is a regional center of commerce.

The Subcommittee is particularly concerned about the impacts of Panamanian political unrest on the continuous operation of the Panama Canal and the safety of Americans stationed there. Altogether, approximately 20,000 Americans, including military personnel and their dependents as well as civilian employees, reside in Panama.

More than twenty U.S. servicemen have been detained by the PDF in recent weeks. Military commanders in Panama have warned troops to avoid travel outside their bases. However, American civilian employees of the Panama Canal, without commissary privileges, now must regularly travel outside the Canal area in order to buy food and other necessities. The Subcommittee Chairman has requested that the Administration reinstate commissary privileges for civilian employees during this period of unrest.

PANAMA CANAL OPERATIONS

The Panama Canal Commission, which operates the canal for the

United States, has reported that canal operations have not been disrupted by either the current political situation or the general civilian strikes in Panama. In fact, traffic through the canal has reached near record levels in recent weeks.

However, the Panama Canal Consultative Committee, composed of high-level representatives of the U.S. and Panama to advise on matters such as tolls, employment and training, failed to agree on a time and place for its previously scheduled meeting, which was subsequently cancelled.

March 8, 1988
RWW

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attachments:

1) Letter to President Reagan requesting enscrow of Panama Canal payments.

2) Letter to President Reagan requesting commissary privileges for civilian employees of Panama Canal.

ONE HUNDREDTH CONGRESS

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U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515-6230

March 2, 1988

The President
The White House
Washington, D.C.

Dear Mr. President:

Unless you take action immediately the United States government is going to continue to prop up Panama's General Noriega financially.

There has been much publicity about how the United States has cut off economic and military aid to Panama. But we are continuing to give Panama nearly $80 million a year under the Panama Canal treaties.

We must comply with our treaty obligations but General Noriega has made it impossible by deposing the legitimate President of that nation. Because of his actions, the legitimate elected officials no longer control the government. If we were to turn over the canal payments, that money will help keep General Noriega in power.

We urge you to place the Canal payments in a special escrow account, to be held there until the legitimate government of Panama is in control of the situation there. Only in this way can we uphold our treaty requirements without supporting General Noriega.

Very truly yours,

Walter B. Jones
Chairman

Robert W. Davis
Ranking Minority Member

W.J. (Billy) Tauzin
Chairman, Subcommittee
on Panama Canal/OCS

Jack Fields
Ranking Minority Member
Subcommittee on Panama Canal/OCS

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MINORITY CHIEF COUNSEL
DUNCAN E. SMITH III

U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515-6230

March 7, 1988

Honorable Ronald Reagan
President
United States of America
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

I am writing to you to stress my increased concern about the personal safety of United States civilian employees of the Panama Canal, and I urge you to take steps that will minimize the need for them and their families to travel outside the Canal area.

At a time of increasing tensions between the United States and Panama, I do not believe it is wise that American civilians have to leave the security of the Canal area to buy food and other necessities. Therefore, I urge you to permit civilian employees and their dependents to use the U.S. Commissary in the Canal area.

Thank you for your consideration of this request. With kind regards, I am

Yours truly,

Billy Tauzin

BILLY TAUZIN
Chairman
Subcommittee on the
Panama Canal/OCS

[Submitted by William R. Gianelli]

PANAMA CANAL COMMISSION
TREATY RELATED PAYMENTS TO THE GOVERNMENT OF PANAMA

FISCAL YEAR	ANNUITY	PUBLIC SERVICES	P.C. NET TON	PROFIT PAYMENT	TOTAL
1980	$10,000,000.00	$10,000,000.00	$54,952,599.30	--	$74,952,599.30
1981	$10,000,000.00	$10,000,000.00	$56,862,969.60	$2,699,181.11	$79,562,150.71
1982	$10,000,000.00	$10,000,000.00	$61,193,887.20	--	$81,193,887.20
1983	$10,000,000.00	$10,000,000.00	$51,190,136.40	$ 378,634.59	$71,568,770.99
1984	$10,000,000.00	$10,000,000.00	$49,143,816.60	--	$69,143,816.60
1985	$10,000,000.00	$10,000,000.00	$52,803,013.29	$2,704,695.26	$75,507,708.55
1986	$10,000,000.00	$10,000,000.00	$56,959,548.80	$1,118,754.72	$78,078,303.52
1987	$10,000,000.00	$10,000,000.00	$58,072,944.18	$2,012,761.94	$80,085,706.12
			TOTAL PAID - FY 80 - 87:		$530,007,236.87
			PROJECTED		
1988	$10,000,000.00	$10,000,000.00	$59,551,000.00	--	$79,551,000.00
1989	$10,000,000.00	$10,000,000.00	$61,472,000.00	--	$81,472,000.00

NOTE: ANY PROFIT PAYMENT EARNED IS PAID IN THE FOLLOWING YEAR.

3706A. 3/9/88

PREPARED STATEMENT

OF

ASSISTANT SECRETARY OF STATE

FOR INTER-AMERICAN AFFAIRS

ELLIOTT ABRAMS

FOR TESTIMONY BEFORE

THE PANAMA CANAL/OUTER CONTINENTAL SHELF SUBCOMMITTEE OF

THE HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

March 10, 1988

Mr. Chairman, Members of the Subcommittee, good morning.

Today, as you know, Panama faces a political crisis with roots in charges of official corruption, fraud, undemocratic practices, and, most recently, of illegal involvement in narcotics trafficking and related criminal activities.

We believe these problems can only be resolved by supporting civilian constitutional rule and the legitimate Delvalle Government.

Recent Developments

Allow me to summarize recent developments.

On February 25, President Eric Arturo Delvalle ordered General Manuel Antonio Noriega replaced. Noriega's civilian henchmen called the National Legislative Assembly into rump session and, in ten minutes, took measures they claimed impeached President Delvalle and Vice President Esquivel. The same rump session of the National Legislative Assembly called upon the cabinet to elect a new President. At 3:30 am, Manuel Solis Palma was sworn in as Panama's Minister of the Presidency, the new (figure) head-of-state.

President Delvalle, however, refused to accept his "impeachment" or go quietly into exile. He stayed inside Panama to continue the battle against actions he believes violate the letter of the Panamanian constitution and the spirit of democracy.

On February 26, the White House issued the following statement:

> We condemn all efforts to perpetuate military rule in Panama, including efforts to remove President Delvalle from office. We want to reiterate our unqualified support for civilian constitutional rule in Panama. There is but one legitimate sovereign authority in Panama and that is the

Panamanian people exercising their democratic right to vote and elect their leadership in a free society. We have also initiated a series of consultations to learn the views of other countries in the hemisphere with regard to this situation.

President Delvalle, the opposition political parties and the National Civic Crusade, united in their disapproval of Noriega and to the Solis Palma presidency, called a nationwide general strike on February 29. The strike was successful, both in participation and in duration. It lasted for four days, and during peak periods drew rates of participation as high as 80 percent.

In the United States, strong bipartisan support has been expressed for moves to restore democratic civilian government to Panama. In the view of the United States government and the American people, President Delvalle is the lawful president of Panama.

On March 7, Panama's major opposition parties--Authentic Panamenista, Christian Democratic, and MOLIRENA--issued a communique of support for President Delvalle, and offered to join him in formation of a Government of National

Reconciliation. One member of the ruling PRD Party joined in this communique, and more are expected to follow.

The Financial Situation

On March 1, President Delvalle issued a proclamation giving notice to those having dealings with the Government of Panama that all obligations owing the Government should be made directly to the Delvalle Government and not to the Noriega regime. Juan Sosa, Panama's Ambassador to the U.S. and one of the officials loyal to President Delvalle, took action under this proclamation to marshal and conserve assets of the Panamanian Government in U.S. federally insured banks. His directions to these institutions not to send funds from U.S.-based Government of Panama accounts to Panama, and his initiation of actions in U.S. courts to freeze Panamanian Government accounts have caused a severe shortage of cash in the Panamanian economy, which uses the U.S. dollar as its official currency. This has accentuated the political crisis.

Most businesses have ceased to accept credit cards or checks for consumer transactions. Pensioners and retirees received government annuity checks on March 4, but were initially unable to cash them due to bank closings. After demonstrations by the pensioners, the Government acted to

furnish ad hoc check cashing facilities. More Government paydays will materialize as the month progresses. In the absence of new cash infusions from some source, the fiscal and financial crisis will only worsen. The Delvalle government has in fact, made a formal request to the U.S. Government to pay Canal Treaty obligations into an escrow account. We have this request under review.

Narcotics Involvement

Panama's location and dollar-demoninated banking system have made it a key transshipment point and money laundering center for drug traffickers.

In early February General Noriega and others were indicted by two Florida Grand Juries, in Miami and Tampa, on charges of profiting from drug trafficking, protection of traffickers, and that was the final straw in a situation that had already been deteriorating dramatically.

The Panama Defense Force

Let me say in no uncertain terms that we bear no ill will towards the Panamanian Defense Force as an institution. In fact, we have a great deal of respect for the notable accomplishments of the PDF. Civilian activists in Panama, and, indeed, observers in the United States, must remember the unique services that the Panamanian Defense Forces have provided in Panama's neglected rural areas. The past contributions of the PDF to national security and rural development and their potential for the future make the Defense Force a vitally important part of the fabric of Panamanian society.

Military leaders must, for their part, take immediate steps to remove their institution from politics, deal with the corrupt few, and modernize the PDF to carry out military tasks in defense of the Canal. Deep military involvement in politics weakens the civilian and the military institutions, just as it detracts from Panama's ability to fulfill its crucial role in defense of the Canal. In professional military matters, the Panamanian military can continue to count on the full support of the United States. We believe that strict adherence to the Canal Treaties by both partners is fundamental to Panama's democratic future.

Conclusion

In Panama today, the issue is civilian government and democracy. Civil unrest, official corruption, denial of media freedom, and the drug scandals have undermined the confidence of foreign investors and of users of Panama's heavily service-oriented economy. While the banking sector is suffering most right now, larger interests are at risk. With complete transfer of the Panama Canal less than twelve years away, and with the international transportation sector undergoing significant change, it is critical that Panama maintain the confidence of future users of the Canal. It is no exaggeration to say that today's crisis puts Panama's future on the line.

Despite the significant U.S. and other foreign interests there, Panama's internal political problems are for Panamanians themselves to resolve.

The best guarantor of Panama's continued economic well-being is a stable, civilian constitutional government and a professional apolitical military service which enjoy the confidence and support of the Panamanian people.

The U.S. Government is firmly committed to supporting the forces of democracy in Panama.

We are promoting dialogue among Panamanians and the strengthening of Panama's civilian political institutions. Whatever solution emerges from the present crisis must make a place for all elements of society. And that includes the Panama Defense Force, whose development as a professional, apolitical military establishment we support today as in the past.

We will continue to seek ways to support democratic civilian rule in Panama, and we will continue to fulfill our responsibilities under the Panama Canal Treaties. We are firmly committed to continue to help this important friend and ally in the Caribbean Basin in its search for true democracy.

On the Americans in Panama
Statement of the Honorable Mary Rose
Before the Committee on Merchant Marine and ries
Subcommittee on Panama Canal/Outer Continen elf
March 10, 1988

Mr. Chairman,

I thank you for the opportunity to highlight ncerns here today.

In the press of international preoccupation he gathering crisis in Panama, I would like to focu a few moments on our shared concern for the security a l-being of Americans caught in this war of wills.

As you know, the attention of this Congress Committee, and my own Committee on Post Office and Civil Se has long centered on the well-being of Americans working ama.

In addition to the 10,000 troops within the a Canal Operating Area, there are an additional 10,000 e Y dependents living in Panama. Fifteen hundred U. loyees of the Panama Canal Commission make their homes th ng with their families, another 4,500 Americans. Add t the 20,000 American citizens engaged in business in Panama with dual citizenship, and American retirees, and our dir man interest becomes clear. There are over 45,000 ans living in Panama today.

On the Americans in Panama 2
Remarks of the Honorable Mary Rose Oakar
March 10, 1988

The future of Panama is, as it should be, in Panamanian hands. This is their nation, their land. But amid a nation of 2.2 million Panamanians, the safety of 45,000 Americans must be a substantial concern.

Twenty U.S. servicemen have been detained and harassed by the Panamanian Defense Forces already. Our State Department has issued a travel advisory warning Americans. As our nation presses the criminal government of Manuel Noriega to accede to the will of the Panamanian people, we cannot rest easy that all Americans will remain safe.

In calmer times, these workers and their families have faced a Hobson's choice of their job or their security. In the five year transition complying with the Canal Treaties, our Committee worked with you, the Members of Merchant Marines, to assure housing and security for the children, families, and employees moving from the Canal Commission to Department of Defense dependent status in Panama.

With this escalating crisis, American workers' personal safety is again in question as civilian employees and their families are forced to travel outside the Canal area to buy food and other necessities. General strikes called by opponents of military rule have repeatedly paralyzed day-to-day activity in

the capital, closing major grocery store chains and most gas stations, making it impossible to obtain normal supplies of either food or fuel. Restaurants, shops, factories, and offices have honored strike calls.

Just four weeks ago, the Panamanian military showed their support for Noriega by asking for the expulsion of all U.S. troops from Panama. As General Paul Gorman, the retired head of the U.S. Southern Command from 1983 to 1985 has said: At the Southern Command headquarters sited in Panama, "we were, in effect, in the hands of this man /Noriega/. . . . I would not do anything to irritate him, lest he indulge in one of his picayune acts of retribution."

We all realize we are dealing now with a desperate drug-dealer attempting to cling to power. General Noriega controls an army, and with it, a nation. In the face of these growing concerns, I would join you -- and I believe our House would join you -- in taking prudent precautions to ensure the security of those Americans working and living through this crisis.

Thank you.

UPDATE ON PANAMA SITUATION

WEDNESDAY, APRIL 20, 1988

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON PANAMA CANAL/OUTER CONTINENTAL SHELF, COMMITTEE ON MERCHANT MARINE AND FISHERIES,

Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1334, Longworth House Office Building, Hon. W.J. (Billy) Tauzin (chairman of the subcommittee) presiding.

Present: Representatives Tauzin, Fields, Brennan, Coble, Bentley, and Herger.

Staff present: Roy Willis, Roxana Chahin, Harry Burroughs, Dave Whaley, and Cher Brooks.

STATEMENT OF HON. W.J. (BILLY) TAUZIN, CHAIRMAN, SUBCOMMITTEE ON PANAMA CANAL/OUTER CONTINENTAL SHELF

Mr. TAUZIN. The meeting will please come to order.

Today this subcommittee continues its inquiry into the situation in the Republic of Panama and its impact on the Panama Canal we will receive testimony from a group of American employees of the Canal and their dependents, and a representative of one of the trade unions representing a large group of Canal employees.

While many American civilians work outside the United States, the work of 1,100 American employees of the Panama Canal is rather unique. Their labor is of a special, direct relationship to the security and the economic interests of the United States, and critical to the continuous operation of the Panama Canal.

Unlike most military personnel and their dependents, Canal employees and their families do not live on military bases, and they are not living in areas patrolled by military police. They must, in order to conduct the routine affairs of daily living, interact with Panamanians and travel outside protected areas. Their families depend upon whatever security is provided by the Panamanian regime of Manuel Noriega, which the U.S. Government does not recognize.

Some Americans employed by the Canal were detained and beaten last month in Panama while buying food for a humanitarian effort to feed Panama's poor. Fortunately, just yesterday Alan Shepard and Karl Marohl were cleared of criminal charges brought against them by the Noriega regime.

There is little doubt that the American employees of the Canal face hardships and serious potential threats to their personal safety. To address these concerns, both the House and the Senate have acted on legislative initiatives to relieve some of the hard-

ships which these Americans must endure during the period of political and economic instability in Panama.

Those efforts aimed at granting temporary access to military commissaries for canal employees have been consistently opposed by our own State Department. Top State Department personnel testified before this subcommittee twice last month. On both occasions I and other members urged their cooperation in the effort to secure commissary privileges during the crisis in Panama. What we heard from the State Department and what has been done are completely at odds.

Due to an international conference overseas, and, coincidentally, an inter-agency task force meeting being conducted this morning in the White House, State Department officials claim to be unable to be with us today. It is the intention of the chairman, however, to provide them with an opportunity to testify in the very near future.

Clearly the economic measures already taken by the U.S. Government have not forced Noriega to leave power. These efforts are growing stale and are increasing the hardships of the Panamanian population, whose support we need. Anti-American sentiments are, unfortunately, rising. Just last weekend Panamanian President Eric Delvalle concluded that economic pressure alone will not suffice.

Whatever else is done, we must recognize that it is only a matter of time before the operation of the Panama Canal will be impaired by the continuation of existing policy. Caught in the middle of the dilemma are American employees of the Canal whom we ask to keep the Canal open and to deal with the hardships thrust upon them and their families in a foreign nation in the midst of political crisis.

Today we will hear their stories.

The chair now yields to the ranking minority member, the gentleman from Texas, Mr. Fields.

STATEMENT OF HON. JACK FIELDS, A U.S. REPRESENTATIVE FROM TEXAS

Mr. FIELDS. Mr. Chairman, I would like to thank you for scheduling this hearing today on how the ongoing political crisis within Panama has affected U.S. Employees of the Panama Canal Commission.

I would also like to compliment you on your tireless leadership on behalf of the men and women who operate the Panama Canal.

I also want to compliment you on being calm, because I'm not sure I can during this hearing. If the State Department had been concerned about the plight of the people who are sitting at this table and in this audience, courageous Americans would not have had to travel thousands of miles or spent thousands of dollars to be here today.

Unfortunately, that's not the case, and today these people have the opportunity to tell us and the world how the crisis in Panama has affected their lives, and how our government has sadly forgotten them.

It has now been nearly one month since you and I wrote to Secretary George Schultz urging him to negotiate with the Delvalle government in order to obtain permission for some 700 American families to shop at our military PX and commissary facilities. Those of you in the audience need to know that Chairman Tauzin and myself stood right here and talked to Ambassador Sosa about the need for you to have the ability to shop at our PX facilities. I guess that was more than a month ago.

Yesterday we received a totally unacceptable response to our letter, which contained a number of inaccuracies. For instance, the State Department now contends that it never advised Embassador Sosa to withdraw his letter to allow certain Americans to shop at these facilities. Mr. Chairman, as you know, that is an outrageous fabrication which is only compounded by the fact that the State Department has once again indicated that it will continue to actively oppose the granting of these shopping privileges, even on a temporary basis.

And while the State Department obviously does not feel this issue merits their attention, there has been no lack of effort on their part to ensure that Americans living in Panama suffer along with their Panamanian neighbors. In fact, it is my understanding that statement was made to someone who I have great confidence in.

Let me just cite a few more examples.

On March 24th Assistant Secretary of State Elliot Abrams wrote a letter to Chairman Bill Gianelli in which he noted that it would be "not only thoughtless, but counter-productive, and perhaps inflammatory, to present to Panamanians the image of a U.S. community which is an island of security and privilege."

Mr. Chairman, I am sorry that Mr. Abrams isn't here to explain that statement. I really wonder why he is really not here. I certainly don't believe that the people who are literally confined to their homes, who went for weeks without many of the basic necessities of life, and who are the only Federal employees in the world who cannot shop at our PX and commissary facilities, are privileged people.

Perhaps Mr. Abrams is talking about his friends at the U.S. Embassy in Panama who certainly don't face those difficulties. And I don't mean that to demean the people who are serving in Panama, because they have a very difficult mission. But they shouldn't be treated any differently than any of you in this room.

Second, while the State Department doesn't believe it should ask Embassador Sosa for his permission, they broke their necks two weeks ago to stop H.R. 4256 from being enacted by the United States Senate. That was after our chairman, under his leadership, brought this under immediate consideration to the House floor. We debated it, and we passed it in the House of Representatives.

The State Department went over to the Senate and did everything they could to stop the legislation, which they did. By so doing they put 700 American families in a classic "catch 22" situation. On the one hand the State Department refuses to negotiate with the Delvalle government while simultaneously urging the Senate to reject a legislative solution to this problem.

Mr. Chairman, I am still waiting for someone to explain to me how it can be a violation of the Panama Canal Treaty of 1977 if both our government and the Delvalle government agrees to allow the use of these facilities.

Finally, last Thursday a group of Americans who are going to testify today—and they may want to talk about this—met with Mr. Richard Wyrough at the State Department in order to seek his help in trying to alleviate some of the pressing problems that they are facing. I am told that Mr. Wyrough could have cared less about what happened to these people, and even went as far as to suggest that they would never see the inside of a PX or commissary facility in the Republic of Panama during their lifetime.

Mr. Chairman, I find that type of attitude which seems to permeate the Department of State to be arrogant, elitist, and contemptible. I just hope that there is someone from the State Department in this room. Is there someone representing the State Department in this room? If there is, I want you to raise your hand. Is there anybody representing the Department of State in this room?

[Gentleman raises hand.]

I want the families that are here to look around—and I'm not trying to single you out, but I hope you get a message today and take it to Mr. Wyrough and take it to Mr. Abrams. We have Americans suffering in Panama, and our State Department needs to be working with people like the chairman and myself instead of working against us and these families.

We represent Americans. We don't represent Panamanians. Americans pay taxes. Americans pay your salary, my salary, and pay the function of this government.

It disturbs me that I also get reports that we have members of the Panama Defense Force shopping at our U.S. Commissaries in Panama. Explain that to me. I'll just make a request from our State Department representative. I want an explanation, if that is true, why PDF members are shopping at U.S. commissaries and our people can't. I would have loved to ask that question to Mr. Abrams. I would have loved for Mr. Wyrough to be here and meet with these families—and I don't necessarily buy the excuse as to why they're not here.

Again, I'm not trying to single you out as an individual, but I'm going to single out your department, because I think it is contemptible, and it is inexcusable that our people have been denied access to these commissaries.

Mr. Chairman, it is not sufficient to say that I am angry and I am disgusted. I hope that as a result of this hearing the American people will rally to the cause of the forgotten men and women and will demand justice on their behalf. I think our nation will pay a heavy price if this injustice is not corrected, because I am told that 95 percent of our Canal pilots are now eligible for retirement. And they're not going to stay if we continue to treat them like third class Americans.

As the ranking minority member of this subcommittee I will continue to do whatever I can to help ease the problems of all Americans, and particularly those Americans in Panama.

I anxiously look forward to the day when we will have sensitive, caring, and compassionate people working at an American desk in the State Department who are willing to represent Americans.

Mr. Chairman, I have to say that I appreciate your indulgence in allowing me to go over my time. I want to say, again, what I have said so many times already: I appreciate your leadership in this effort, and I hope that all of you who are from Panama recognize that if it wasn't for the chairman, that legislation would not have gone to the House floor. If it wasn't for the chairman, we wouldn't be here today to get someone's attention.

I appreciate you coming up, and I appreciate what you do in serving your country in Panama.

Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you very much, Mr. Fields.

The Chairman of the full committee, Chairman Jones, has a statement which, without objection, he has asked unanimous consent to make a part of the record. That will be part of our record.

[The prepared statement of Mr. Jones follows:]

THE HONORABLE WALTER B. JONES, CHAIRMAN
COMMITTEE ON MERCHANT MARINE AND FISHERIES
STATEMENT AT SUBCOMMITTEE ON PANAMA CANAL/OCS
HEARING ON PCC EMPLOYEES' HARDSHIPS DURING ANTI-NORIEGA STRIKES

APRIL 20, 1988

I AM PLEASED TO SEE THE REPRESENTATIVES OF THE PANAMA CANAL COMMISSION EMPLOYEES TODAY, BUT I REGRET THE CIRCUMSTANCES THAT BRING YOU TO WASHINGTON.

AS YOU KNOW, I INTRODUCED A BILL ONE MONTH AGO, H.R. 4256, THAT PROVIDED COMMISSARY PRIVILEGES TO THE COMMISSION EMPLOYEES AS LONG AS THE POLITICAL TURMOIL HINDERED THE EMPLOYEES ACCESS TO GROCERY STORES OR AFFECTED THEIR SAFETY. UNFORTUNATELY, THE SENATE DID NOT PASS THIS BILL, BUT PASSED A DIFFERENT RESOLUTION IN ITS PLACE.

THE LEGISLATION DID SUCCEED IN PROMPTING THE STATE DEPARTMENT TO FIND AN ALTERNATIVE TO THE COMMISSARIES WHICH WAS OPENING SHOPETTES TO THE EMPLOYEES. SO FAR THIS PLAN HAS WORKED.

I WOULD LIKE TO STATE FOR THE RECORD THAT WE ON THIS COMMITTEE HAVE THE BEST INTEREST OF THE COMMISSION EMPLOYEES IN MIND AND WILL CONTINUE TO TAKE WHATEVER ACTION IS NECESSARY TO PROTECT THEM.

THANK YOU FOR TESTIFYING BEFORE US TODAY.

Mr. TAUZIN. We have other members present. Do any other members wish to make an opening statement?

Mr. Brennan?

STATEMENT OF HON. JOSEPH E. BRENNAN, A U.S. REPRESENTATIVE FROM MAINE

Mr. BRENNAN. Mr. Chairman, very briefly I share in the comments that have been made by yourself and Mr. Fields. I do commend you for holding this timely hearing.

It is clear to me that so much emphasis is the spotlight has been on when and if Noriega is going to go. There hasn't been sufficient attention paid to Americans, American employees, and their families in the Canal.

This policy in regard to access to the commissaries—it is absolutely unbelievable that the Panamanian Defense Forces have it, but Americans don't. I mean, it is absolutely topsy turvy. It is upside down. It is appalling to me that loyal Americans, American employees, and their families are given such short shrift in regard to what is happening in Panama.

I think it is so appropriate that this hearing be held, and that if the Administration isn't going to do it, that the Congress make every single effort possible to try to reconcile this problem.

Mr. TAUZIN. Thank you, Mr. Brennan.

Mr. Coble?

STATEMENT OF HON. HOWARD COBLE, A U.S. REPRESENTATIVE FROM NORTH CAROLINA

Mr. COBLE. Mr. Chairman. I will be very brief.

I just want to reiterate what has been said about your leadership. You obviously have played this very effectively and very calmly.

I share the frustrations of the gentleman from Texas. I recall some recent weeks ago—and I don't recall who the witness was, but I think he was from the Ambassador's office—someone put the question as to how long Noriega is going to be in power. The answer—by implication, at least — was, "Well, he'll be toppled in a few days." Well, unless he has been toppled today he is still on his feet. That frustrates me.

I am looking forward to hearing from some of these witnesses today.

I have another committee meeting going on, Mr. Chairman. I will have to play musical chairs.

But thank you, again, for what you have done on this matter.

Mr. TAUZIN. Thank you, Mr. Coble.

Ms. Bentley, do you have a statement?

STATEMENT OF HON. HELEN DELICH BENTLEY, A U.S. REPRESENTATIVE FROM MARYLAND

Mrs. BENTLEY. Thank you, Mr. Chairman.

I join in Mr. Coble's remarks.

I just want to point out that on March 10 this subcommittee was told by the leadership of the Panama Canal Commission that they were working closely with the State Department and others to

secure access and temporary utilization of the U.S. military commissaries and post exchange stores within the Canal zone to the 1,100 Americans in their employ.

It seems that our State Department has been the principle obstacle to getting these Americans the protection and economic relief they require.

I think it is time that Congress takes action.

I ask unanimous consent to include my whole statement, Mr. Chairman.

Mr. TAUZIN. Thank you, Mrs. Bentley.

[The prepared statement of Mrs. Bentley follows:]

OPENING STATEMENT OF
THE HONORABLE HELEN DELICH BENTLEY
BEFORE THE
PANAMA CANAL/OUTER CONTINENTAL SHELF SUBCOMMITTEE
OF THE HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE
APRIL 20, 1988

Thank you, Mister Chairman. I want to thank you for holding this hearing this morning on a matter that is not only of grave concern to to this subcommittee, but to all Americans.

We have all watched the graphic television news coverage of the deteriorating civil disorder in Panama as our government applies a series of economic pressures designed to topple the illegal regime of General Emanuel Noriega. The economic problems experienced by the freedom-loving, law-abiding citizens of Panama are similarly being experienced by the United States citizens working there and their dependents.

Their problems are, rightfully, our problems, and the U.S. government should be taking every possible precaution to protect these U.S. citizens in this very troubled nation.

This subcommittee was told on March 10 by the leadership of the Panama Canal Commission that they were working closely with the State Department and others to secure access and temporary utilization of the U.S. military commissaries and post exchange stores within the Canal Zone to the 640 Americans in their employ.

It seems that our State Department has been the principal obstacle to giving these Americans the protection and economic relief they require, while at the same time, high ranking members of the Panama Defense Forces are welcomed and given full access to these essential necessities in these times of strife.

Mister Chairman, there is no plausible excuse to justify, what I considered to be, these reprehensible actions of the State Department, and our government, as a whole.

Since the Panama Canal became operational on August 15, 1914, Americans have been fulfilling a responsibility that is unquestionably vital to the defense and economic stability of the United States.

For the United States government to deny their citizens even the slightest measure of comfort and insulation from this increasingly dangerous situation is a national disgrace.

The denial of commissary and PX privileges is only part of the overall picture confronting U.S. personnel in Panama, Mister Chairman, and I look forward to hearing the testimony from the very people being affected by the insensitivity of their government.

Thank you, Mister Chairman.

Mr. TAUZIN. I hope the witnesses who are he… ay and all who have traveled so long a distance have recog… the bipartisan nature of the comments of the members of th… mittee. I want to also indicate that I think I can say without … contradiction that bipartisan spirit exists on the floor of the … e. Members on both sides of the aisle are equally frustrated … uriated by the State Department's intransigence over the l… ate request of Americans to have better secure conditions a… le for them as they do this nation's important work in the Pa… Canal.

Today we are going to hear from some of the … ericans, ladies and gentlemen, and although Mr. Donald Lip… who appears on the list of witnesses, is late in arriving becau… he plane delay from Panama, Mr. Michael Derby will be mak… tatement, I believe, on his behalf and on behalf of MEBA an… J.

We also have a number of witnesses who … seated at the front table, but I want to invite those of you … e scheduled to testify that if at any point you want to come … and contribute to this conversation—and we'll try to keep it … a conversation about conditions in the Panama Canal—then … indicate to the chairman your desire to speak and we will m… oom for you at the head table.

Mr. TAUZIN. I now introduce, first of all, Michael Derby, Counsel from MEBA-NMU, who will also … aking for Mr. Donald Lipman, who is late arriving.

Mr. Derby?

STATEMENT OF MICHAEL DERBY, COUN… EBA–NMU, WASHINGTON, DC

Mr. DERBY. Thank you very much, Mr. Chai…

Unfortunately, due to the turmoil in Panam… ny of the civilian flights have been curtailed in and out of … untry, and Mr. Lipman has, unfortunately, been delayed.

I am here today speaking on behalf of Dist… MEBA–NMU. We represent about 2,300 employees who w… r the Panama Canal Commission, and that is about one-thir… e non-management employees of the Commission.

In fact, a vast majority of those employees … namanian citizens who are our members. Throughout this … they have performed their jobs without delay, and have … loyalty to the U.S. Government and the commission.

Not only are our U.S. citizen employees an… nbers suffering under this program, but these Panamanian … , who are putting themselves on the line to keep the Canal … ting, have also suffered greatly under the present circumstan… Panama.

First of all I would like to thank you for h… this oversight hearing today and for giving us this opport… to bring these facts to light. We thank you for all you hav… so far on our behalf. Believe me, all of our members are … rateful to hear about this hearing today.

We have two primary issues which I know t… u are aware of and concerned about. The first is the need fo… ommission employees and their dependents to be given ben… y access to the U.S. military PX's and commissaries. This … r is becoming

more and more urgent as the crisis drags on. Some of these employees, as I have mentioned, are U.S. citizens, and some are not. But all of them are loyal employees of the U.S. Government and are essential to the safe and orderly operation of the Canal. We believe that our government should do everything we can to provide for their welfare throughout this crisis.

Even more urgent is our second concern, and that concerns the temporary access for these employees to the U.S. military hospitals in the Canal area.

This has become a very important issue, because, as you know, as part of the pressure against the Noriega regime the Administration has forbidden the commission—a Federal agency—from making contributions to the Panamanian Social Security Program.

Under Panamanian law the employer—in this case the commission—contributes to the Panamanian Social Security System for all Panamanian citizens employed after October 1, 1979, and these employees are covered by the social security system of Panama, which provides medical benefits for people in Panama similar to an HMO in this country.

This is a very serious situation, because without showing proof that these contributions have been made on their behalf they cannot get medical care, and this includes such urgent medical needs as childbirth, injuries due to accident, and so forth.

This is an extremely important issue to these loyal employees of the United States. And because we are suggesting that they be given access for emergency care only, this is a limited situation and should not overwhelm the U.S. medical facilities in the Panama area.

We would be most appreciative if this problem could be addressed in important and praiseworthy legislation that is already under way in effort with the Administration to improve the situation for civilian employees in the Canal area.

I would like to conclude by making three other points, Mr. Chairman. First is the utter callousness of the State Department and their willingness to sell down the river loyal employees of the Canal operation, which is so essential to U.S. security.

It is fine for assistant secretaries of state who have never heard a shot fired in anger to sit in their plush offices and declare that these employees should suffer along with everyone else in Panama. I submit to you that these armchair Rambos do not have to wonder every night where their next meal is coming from or how their children are going to eat. They don't have to worry if their spouse or child should become seriously ill. These are very real concerns for our people in the Panama Canal area.

Second, this callousness is short sighted. It punishes our friends upon whom we rely to operate the Canal, and it punishes them unnecessarily.

Both of our requests could be met easily and simply, and no amount of hiding behind trees and agreements can obscure the fact that where there is a will there is a way.

Finally, this callousness is unfair, and, indeed, obscene when members of Noriega's regime can march into these facilities and avail themselves without hindrance of the advantages that we re-

quest for our members. It seems that we are penalizing our friends while our enemies are laughing behind our backs.

In closing, Mr. Chairman, on behalf of the employees of the commission and all of our members in District I MEBA-NMU, I thank you for the effective work that you and your fellow members are doing now to help these employees, and for any assistance that you can render in the future.

Thank you very much Mr. Chairman.

Mr. TAUZIN. Thank you, Mr. Derby.

[The prepared statement of MEBA-NMU may be found at the end of the hearing.]

Mr. TAUZIN. We will now hear from the young lady who actually brought most of these concerns directly to our attention by phone call some time ago, and who has spent the last week in Washington lobbying on behalf of American employees and dependents here in the nation's capital. Ms. Rebecca Cook has been a leader on behalf of American dependents and their concerns in the Panama Canal.

We are proud to welcome you here, Ms. Cook, and we welcome your testimony now.

Ms. COOK. Thank you very much.

We would like to introduce ourselves in the beginning so that you know who we are and what we do in the Panama Canal area.

My name is Rebecca Cook. My husband is a pilot for the Panama Canal Commission. We have lived in the Republic of Panama for several years, though we are post-treaty. We are not of the manicured lawn mint julep era.

We enjoy living in Panama. We enjoy working in Panama. We do not want to leave Panama.

Mr. RUDY. First I would like to thank this committee very much for affording us the opportunity to appear here today.

Mr. TAUZIN. Would you identify yourself as you testify?

Mr. RUDY. Yes, sir. My name is Donald R. Rudy, Jr. I am currently an auditor employed by the Panama Canal Commission. I have resided in the Republic of Panama for approximately 30 years. I was born and raised there. I have a family—married to a Panamanian—and one seven-year-old child.

Prior to my present position I was employed by the former Canal Zone Police Division for 13 years as a criminal investigator in charge of criminal investigations for the southern district of Panama. During that period I worked very closely with the former PNG and the Panama Department of Investigations.

I was asked to come here today to testify before this body to voice my concern at this point surrounding the current crisis in the Republic of Panama and its effect on myself, as well as my family, and fellow-Americans living in the Canal area.

Thank you.

Mr. DANY. Good morning. My name is George Dany. I am currently employed by the Panama Canal Commission as an admeasurer. I have lived and worked in the Canal area since 1967. Prior to the Panama Canal treaties of 1977 I taught physical education with the former Canal Zone Schools Division. I am married and have three beautiful and loving daughters. My wife and children were all born and raised in the former Canal Zone, which is presently considered as the Canal area. The Canal area has been our

home. For my wife and children it has been the only home that they have known.

I do thank you for the opportunity that you have given us to be here today. I hope and pray that through this hearing it will be a positive and constructive time for all concerned today.

Thank you.

Mr. MATROS. I am Kenneth Matros, currently employed by the Panama Canal Commission as a technical publications writer/editor. I began my career with the Panama Canal in 1973. I am married and have four children. Two of my married daughters live in Panama, and are married to spouses employed by the Panama Canal Commission. I have four grandchildren who are living in Panama. So my concern under the current crisis is amplified by my family ties to Panama.

I thank you for this opportunity to be here and to testify before this committee.

Mr. TAUZIN. Thank you very much. Ms. Cook, do you want to proceed now with testimony? If you will, I know some of you have prepared statements, but please keep it conversational. Give us an idea as to the conditions that Americans and Panamanians are required to work under now in the Canal area.

STATEMENT OF REBECCA COOK, PAC 0828, WASHINGTON, DC

Ms. COOK. Thank you, Mr. Chairman. Congressmen, we thank you all for providing us with the opportunity to be here today to answer your questions and to air our thoughts concerning the plight of Panama Canal Commission employees during the ongoing crisis in the Republic of Panama. We will attempt to present to this body and the world a realistic and accurate picture of life, as we know it, living and working in a country under siege.

The people before you have come voluntarily and at great expense, both monetary and emotional, to ourselves and to the community which we represent. We have left our families and friends behind to face alone whatever might erupt in our absence, fearing in the deepest of our hearts that we may not be able to return to them in Panama, or that they may not be able to get out of Panama in the event that things should change.

We feel that this effort was the least that we could do in light of the fact that you have put forth so much effort in our behalf. We wanted to let you know that we appreciate your bipartisan concern and support, and you have reaffirmed our faith in the democratic process, because we have sat down there feeling left out of the whole system.

We hope that by appearing here today we will be able to assist you in bringing the immediate crisis to an end.

In this crisis the State Department, following the lead of its negotiators of the Panama Canal Treaties of 1977, have been allowed to ignore the rights and abandon the employees of the Panama Canal Commission. We were deemed expendable, the definition of which is "more economically replaced than rescued, salvaged, or protected; deliberately sacrificed to accomplish a military mission."

The U.S. Government's position on this issue is now being put to the test, and we, the Panama Canal Commission employees, have been left to suffer the consequences of this irrational policy.

Even as recently as March 24—less than one month ago—Mr. Elliot Abrams wrote a letter to Mr. William Gianelli, the Chairman of the Board of the Panama Canal Commission, which I would like to take the time to read at this time, if that's all right with you. I find this letter truly exceptional and very telling.

Mr. TAUZIN. It is certainly all right.

Ms. COOK.

We expect the internal and external pressures on General Noriega to intensify in the days ahead. As you know, the most effective weapons we have against the Noriega regime are economic and financial. Unfortunately, the more effective these tactics, the greater the hardships of the Panamanian people. What was recently inconvenience has become real suffering. Many Panamanians are without food and medical care, and all Panamanians are living in conditions of great uncertainty.

Panamanians have shown great resistance to Noriega's efforts to turn the current crisis back on the U.S. By and large, the Panamanian people have placed the blame for their plight squarely on Noriega, and it is critical for the ultimate success of our policy that they not be tempted to vent their frustrations on the USG.

In light of these concerns, I believe we should urge our U.S. employees to be sensitive to the plight of the Panamanian people, at least insofar as we can do this by not emphasizing our own relative protection from the difficulties they are undergoing. It would not only be thoughtless but counterproductive, and perhaps inflammatory, to present to Panamanians the image of a U.S. community which is an island of security and privilege in the midst of chaos and hardship. U.S. citizens in Panama need not change their way of living or give up their normal activities. I do think it would be in the national interest, however, if our U.S. citizen employees could maintain as low a profile as is consonant with the routine requirements of work and family life until the current crisis is resolved.

Sincerely, Elliot Abrams

Mr. Abrams' concern for the Panamanian people is appropriate, for they are suffering due to the economic sanctions of the U.S. Government. As a country with the highest per capita income of any country south of the United States border, most Panamanians have enjoyed a lifestyle not unlike that of most working Americans.

People who owned homes, automobiles, and businesses, who worked in banks or grocery stores, went to the beaches and the mountains on weekends, raising their happy families are now standing in lines of 6,000 people long for one meal a day of rice and beans. We are not here to in any way diminish the seriousness of this crisis which has been created for our Panamanian neighbors.

With that in mind, the State Department officials have suggested that it might be good for the Americans in the Canal area to suffer along with their Panamanian neighbors.

However, there is no evidence to suggest that the State Department, which has contributed to the crisis, is also willing to suffer along with those Canal Commission employees specifically singled out to endure this treatment.

Economic sanctions imposed against the government of Panama have done little more than to destroy an unstable and fragile economy. The American Canal work force is also affected adversely by these measures as we have been denied access to the city due to civil unrest, strikes, and the ever-shrinking supply of goods and services available.

In October of 1984 our access to the U.S. military support service system was ended due to the treaty which was implemented at that time. It is forcing us to go into an ever-increasing hostile environment.

Although the U.S. employees have felt some relief in accessing the U.S. military shoppettes, the limitation placed on them to purchase food only has only partially met their needs. Even if we were allowed to purchase the full range of products available in these facilities, they still would fall short of meeting the full range of needs of our families. Our cars need repairs and parts that are no longer available in the city. Over-the-counter medications are not available to us. Those who have prescription medications from private doctors are now unable to have those prescriptions filled in Panama as the stores are closed or medication stocks are depleted. The only option available to us is the Army hospital, where we are charged a $55 outpatient fee for a prescription refill.

It has been stated that incidents involving Americans have proven to show a pattern of violence and that the threat to Americans' safety is nominal. These incidents are not to be disregarded. In this packet of information which we have enclosed for your perusal we have copies of 47 separate incidents reported during the months of February through April of this year. This is only for the military sector of the American population in Panama. The Panama Canal Commission has its own file of incident reports involving Canal workers. We were not allowed to access this file, but we strongly suggest that the committee do so in an effort to determine a true picture.

The Panama Canal Act of 1977 provides certain procedural guarantees which were intended to protect the rights of U.S. citizens with respect to offenses rising from acts and omissions committed in the Republic of Panama. We have documented evidence that clearly shows that the Panama Defense Forces have violated this by evoking the procedural guarantees when confronting U.S. citizens.

In most of the cases, confrontation has been unwarranted and ultimately led to abuses on the part of the PDF. It is our view that as the current crisis escalates, any guarantees provided by the treaty intended to protect U.S. citizens will be further ignored. It is the abrogation of those procedural guarantees which makes traveling into areas of PDF control intimidating and dangerous. The hostile atmosphere created by the crisis is exacerbated by the fact that our automobiles are clearly identified by license plate and also military stickers.

The State Department representative, Mr. Edward Fox, stated in a letter received today by Senator Strom Thurmond that the strike in Panama has effectively ended and the stores are now open so travel to such stores is no more dangerous for Panama Canal Commission employees than it is for thousands of Americans who live in Panama City.

Does this mean that the State Department, which has manufactured the crisis, now has the authority and power to determine that it is now ended. Did Noriega leave? Do the Panamanian people now have the democratic government that they want? The State Department failed to answer the questions in their letter. If

the answer to the questions is "no," then American citizens are still not safe in Panama.

The economic problems of Panama will not end with the departure or demise of a dictator any more than the economic problems that face the United States end with the completion of a presidential term. The problems will not end when the United States funnels millions of dollars of aid into Panama. The recovery process will be long and arduous. Panama's economic base, the banking industry, is gone. Panama produces nothing. It has no industry. It has no agricultural base. These people are going to have to start from the ground up.

There are approximately 1,100 U.S. citizen employees of the Panama Canal Commission, which is 20 percent or less of the overall work force. It would appear that the United States government is using this meager little group of unprotected civilians as bait, making us victims along with the Panamanian people.

We have been forced against our will, and without a vote, to live and work in an undeclared war zone. We are warned continually throughout the day by military personnel movement limitation reports to stay near our residences, not to venture into the cities, and avoid crowds and demonstrations. This further indicates to us that it is not safe to go into Panama City; and yet we have to feed our families.

We are the only group of people in Panama who have access to cash. This has been the case for the past two months. The stores stopped accepting checks when the banks closed, so we have to go into the city for food with cash. The people know that we carry cash, and they know that we would not be in town if we didn't need to buy something.

In summary, Mr. Chairman, we are profoundly aware of the importance of the treaty to the dignity of the Panamanian people. We are seeking temporary relief to purchase needed goods and services from military support services available. During the current crisis, we are not suggesting that the treaty or any part therein be abrogated to achieve this goal. However, we sincerely hope that our testimony here today before this body will have a positive impact on any future action deemed necessary to provide Panama Canal Commission employees with sufficient safeguards to assure their well being.

Thank you.

Mr. TAUZIN. Thank you, Ms. Cook.

Mr. FIELDS. Mr. Chairman?

Mr. TAUZIN. Yes, Mr. Fields?

Mr. FIELDS. I am extremely moved by the testimony of Ms. Cook. I am sure there will be other contributions. I think it is sad that Mr. Abrams couldn't be here today, and I think it is sad that Mr. Wyrough can't be here today to personally see and hear what has been stated.

It is my understanding that C-Span is taping this. I am going to make a request to the Chairman that we ask for a tape from C-Span, or that we commission one of our staff members to tape this when it is aired on C-Span, and then you and I send a copy to Mr. Abrams, Mr. Wyrough, and to Secretary Schultz with a cover letter asking them to watch what has been testified to this morning.

Mr. TAUZIN. Well, one thing we found out we couldn't do was to compel their attendance this morning, they are all so busy. But the gentleman makes a legitimate request. The least we can ask them to do is to view the videotaped segments of the testimony that we are receiving today, and we will certainly do that, Mr. Fields.

I, too, want to commend Ms. Cook, again, not only for your leadership on behalf of the employees and dependents, but for your testimony this morning.

Mr. TAUZIN. Mr. Rudy, would you please give your testimony at this time? Or how do you want to proceed?

Ms. COOK. Mr. Chairman, we had determined that one opening statement would be made, which would be sufficient for the entire group, and then at your pleasure we are available for questions.

We have some letters that we have brought from people in Panama which, if you would like, we can read one or two of them. Whatever you would like to do.

Mr. TAUZIN. Well, perhaps we ought to get into a Q & A session where we can learn, perhaps, a little more from other witnesses, as well.

Ms. COOK. Okay.

Mr. TAUZIN. Let me first begin by asking you: in reference to the 47 incidents that you have documented and presented to your committee, do those involve confrontations between PDF members and American citizens in the militarized areas of the Canal area?

Ms. COOK. No, not necessarily in the Canal area. They are generally, I believe, outside the Canal area, itself. They are within the city of Panama.

Mr. TAUZIN. For the benefit of the videotape, which we might want to send to Mr. Abrams, would you give us an idea of some of those incidents, perhaps—some of the highlights of the kinds of things that Americans are being forced to endure in the Canal area on behalf of the PDF forces? For example, does it involve interruptions of traffic? Does it involve——

Ms. COOK. It does involve interruptions of traffic, specifically in our neighborhoods. There are times when we have demonstrations reported by either pro- or anti-Noriega forces, and they have found the administration building of the Panama Canal Commission a favorable forum for this, and our neighborhoods are blocked off and inaccessible during these periods by the Panamanian Defense Forces.

I have an incident here on March 22, 1988. Do you want names?

Mr. TAUZIN. Perhaps just give us the outlines of the incident.

Ms. COOK. A staff sergeant stopped to help a U.S. serviceman detained at a PDF roadblock. However, the staff sergeant was detained, threatened with being shot, and humiliated. He was directed to drop his pants and jump in the air and shake his underwear. The man was released after providing his building's address. This incident was made part of a formal JC collective protest to the PDF.

Mr. TAUZIN. The staff sergeant was military?

Ms. COOK. Yes, sir.

Mr. TAUZIN. And he had actually come to assist an American citizen in detention?

Ms. COOK. Yes, sir.

Mr. TAUZIN. And PDF forces humiliated him as you described?
Ms. COOK. Yes, sir.
Mr. TAUZIN. In front of the American civilians; is that correct?
Ms. COOK. Yes, sir—and Panamanian civilians.
Mr. TAUZIN. And Panamanian civilians?
Ms. COOK. This was in a public place.
Mr. TAUZIN. All right.
Ms. COOK. On March 25, 1988, Balboa policemen failed to immediately disperse a demonstration which stopped normal access to the frontage of Albrook Air Force Base. Based on the TA coordination, Colonel Alba directed PDF support of crowd control.
Mr. TAUZIN. We have a normal situation, don't we, where American civilians are actually under the treaty, obliged to be protected by PDF forces. And when this nation is actively trying to oust the head of the PDF, itself, Americans in the Canal Zone are caught sort of in the middle between that policy and the actuality of Noriega's forces being in control of those areas; is that correct?
Ms. COOK. That's very true, sir.
Mr. TAUZIN. And the incidents you talk about— the 47 you documented and the more that you say are documented in the Commission's files——
Ms. COOK. Yes, sir.
Mr. TAUZIN [continuing]. All involve that conflict; is that not correct.
Ms. COOK. It is basic intimidation and humiliation. It is very time consuming in the event that you are on your way to work. It just generally makes people very fearful to go anywhere.
Mr. TAUZIN. And, of course, until you are allowed commissary privileges you are forced to go somewhere?
Ms. COOK. Yes, sir. The nearest place that we have to do our shopping prior to access to the shoppettes was ten miles into the city.
Mr. TAUZIN. And I take it from your testimony that even the shoppettes have not answered that problem, because you indicate medication is not available at the shoppettes.
Ms. COOK. Medication is not available at the shoppettes, and also a week into this program it was determined by someone that we should only be able to purchase food items only, and no toiletries, no paper goods, no soaps, laundry, or bath. We are strictly——
Mr. TAUZIN. Where do you purchase those things?
Ms. COOK. I don't know, sir. I haven't been back to Panama. I have been here with this business for two weeks now, so this did not occur when I was there.
Mr. TAUZIN. Perhaps one of the others could answer. If you can't buy your toiletries and your medication from the shoppette, where do you go to buy them?
Mr. DANY. I'd like to make a statement on that. That is incorrect. We are still able to purchase those items at the shoppettes.
Mr. TAUZIN. The toiletries?
Mr. DANY. Yes, sir. We have a $75 limit per day. There is one shoppette that we're not allowed to use—Ft. Amador. It was determined that it would not be safe for us to use that one because they have PDF forces on that installation.

Mr. TAUZIN. Where do you buy medications? Where do people with prescriptions have those medications filled, Mr. Dany?

Mr. DANY. For my own self I am on medication that I take on a regular basis. I get that through Gorgas Hospital. There are some employees that have, by their own choosing, see a doctor in the Republic of Panama at different hospitals there. But the hospital at Gorgas will not honor a prescription from a doctor that is not a U.S. Government doctor. So if you want your prescription filled from a Panamanian doctor you must go to one of the drug stores down in the Republic of Panama.

Mr. TAUZIN. You have got to go in town?

Mr. DANY. Right.

Mr. TAUZIN. What about other items that Ms. Cook mentioned, such as car repairs and essential parts and services of that nature that homes and businesses require? Is any of that available in the shoppettes or any secure areas, or must you go into town to get those kinds of services?

Mr. RUDY. I'd like to answer that, if I may.

Mr. TAUZIN. Mr. Rudy?

Mr. RUDY. We are unable to buy any automotive parts or any types of items of that nature through the military exchanges. We must purchase items downtown. With the present crisis going on, many of the businesses down there are not importing much-needed parts, even on the Japanese cars. As a result, many of us are having to go without. I need some parts for my Toyota, and I am unable to buy them. Many businesses have closed up due to the current economic crisis.

Another problem with the food is the fact that I haven't bought meat for two months in the Republic of Panama. Number one, you can't trust the meat. I have had to throw meat away because it smelled so bad you couldn't even cook it. You cannot buy this item in the PX or in the shoppette. You may be able to find some chicken once in a while or some TV dinner, but that would be the extent of it.

I also am aware of the fact that the military PX's or commissaries have not bought meat from the Republic of Panama for some time now because they feel it hasn't met the minimum standards required to purchase such items.

Mr. TAUZIN. Let me interrupt just for a second, now, because I want to make sure I understand this. The shoppettes do not have all the varieties of foods that would ordinarily be available in a grocery store or the commissary?

Mr. RUDY. Yes, sir. It is probably equivalent to a 7-11 store, maybe.

Mr. TAUZIN. So it is a very limited supply and choice.

Mr. RUDY. Yes, sir.

Mr. TAUZIN. And, as you said, meats are not trustworthy in Panama at this time, so the only place to buy any quality product of that nature would be in the commissary?

Mr. RUDY. That's absolutely correct.

Mr. TAUZIN. And you can't shop at the commissary?

Mr. RUDY. No, sir.

Mr. TAUZIN. But Noriega's fellows can, in some instances? I understand some of his troops have been granted access to the commissaries.

Mr. RUDY. Well, there is a set of SOUTHCOM regulations that allows almost every type of individual— either guest, visitor, special VIP's, people of this nature— to obtain privileges to shop in the Army commissaries or the PX.

Mr. TAUZIN. Does that include PDF forces?

Mr. RUDY. My understanding is that it does. It does say military personnel from foreign countries, and our understanding is that it includes the PDF.

Mr. TAUZIN. So PDF force members are permitted to go in and get foodstuffs that are not available to the Americans in the shoppettes, nor would be available to other Panamanians——

Mr. RUDY. That is correct.

Mr. TAUZIN [continuing]. In the kind of quality that would be trust worthy in any store in Panama?

Mr. RUDY. That is correct. Let me go one step further on that, if I may. We're talking about other agencies. We're talking about the individuals that work—for example, the Smithsonian Institute. I have here a copy of the new SOUTHCOM regulations, and there are approximately 18 separate paragraphs explaining those individuals that can shop in those facilities.

Mr. TAUZIN. So employees that work for the Smithsonian Institute in that wonderful facility that exists in Panama are permitted to use the commissary, but you are not?

Mr. RUDY. That is my understanding. Yes, sir.

Mr. TAUZIN. And other agency's employees serving the U.S. Government in Panama are permitted to use the commissary?

Mr. RUDY. Yes, sir.

Mr. TAUZIN. But you are not?

Mr. RUDY. That is correct.

Mr. TAUZIN. So that employees of the Canal Commission are uniquely denied the right to use commissaries for these necessary foodstuffs that are not even available in the shoppettes?

Mr. RUDY. Absolutely.

Mr. TAUZIN. And whereas everybody else working for the U.S. Government there is permitted to use them, including representatives of Noriega's forces, themselves?

Mr. RUDY. That is my understanding. Yes, sir.

Mr. TAUZIN. What a nice situation. Would anyone else like to elaborate on that situation before I leave it? Mr. Chauvin, I see you raising your hand, and Mr. Matros. Mr. Matros, why don't you go first.

Mr. MATROS. Well, sir, in speaking of the quality of food, it is not only the meat that does not meet the standards; a number of times the Army Veterinary Service has refused the local milk and eggs because they do not meet health standards that are required by the military. Yet we are forced to go into town and buy these same items when they are available in the Panama stores.

Mr. TAUZIN. So that items as essential as milk and eggs are not accepted by the commissary, and yet you are required to buy those in the marketplace in Panama?

Mr. MATROS. Yes, sir.

Mr. TAUZIN. Mr. Chauvin, you wanted to add something?

Mr. CHAUVIN. Yes.

Mr. TAUZIN. Use the mike, Mr. Chauvin, please.

Mr. CHAUVIN. Most people are unaware of what these shoppettes are, you know. They were there for the military when they couldn't buy something in the PX or the commissary was closed, and little items that they went in there for like bread and so on.

Another thing, too, you might think shoppettes are all over the place, but they are not. There are only two or three of them. And it is sometimes dangerous, for instance, to go across the bridge in Howard Air Force Base and shop. This is not as easy as most Americans would think it is.

Not only that, but you go into a military base to these shoppettes, and when you come out you are subject to being stopped by the authorities. And, of course, if they determine that you are not supposed to have that, well, like some people have had it taken away from them. That's another case.

You know——

Mr. TAUZIN. Mr. Chauvin, before you go on, to identify you properly——

Mr. CHAUVIN. I am a pilot in the Panama Canal. My name is Captain Julius Chauvin.

Mr. TAUZIN. Proceed, Mr. Chauvin.

Mr. CHAUVIN. This is not as easy as people would think it is. We don't have everything in there that we go to buy. This is only a little relief. Most of us have had a food supply for a month or two months, but now everything is dwindling down because every business in Panama is shut down.

You know, Mr. Abrams, when he talks about suffering, he doesn't realize that he was part of the creation of that suffering, and so is the president of the United States.

You know, we want to live like everybody else. We don't want to be frisked when we come out. When you go out on the street you are not stopped by a policeman. All he's doing is directing traffic. You don't have a soldier at almost every corner here to monitor your movements or anything like that. These are all scary things for people.

Mr. TAUZIN. One final question, and then I'm going to yield to my friend, the ranking minority member who has done such an excellent job in moving these issues forward for us. We are told that as much as 55 percent of the American work force in the Panama Canal Commission are eligible for retirement, and that many of the employees of the Canal Commission faced with these kinds of hardships and deprivations, and even challenges to their civil liberties, in some circumstances, are here in the states now looking to relocate their families, and that what next follows is a decision whether to stay on or not to stay on—whether to take retirement or not.

If 55 percent of the American work force in the Canal Zone were to opt to retire and come back to the states, feeling the same frustration you exhibit today and that we share with you, would that seriously affect the operations of the Canal Zone, itself? A couple of you work for the zone. Mr. Chauvin and others, you might give me some idea of what would happen if 55 percent of the work force eli-

gible to retire suddenly said, "Look, we have had enough. We're coming home."

Mr. Dany?

Mr. DANY. Mr. Chairman. I have that information. Just a minute, please.

Do you want me to give you the percentages?

Mr. TAUZIN. I would like you to elaborate on the problem for me.

Mr. DANY. Okay. This data that I have before me would be effective at the end of the calendar year. For 1988 there would be 42 percent of the U.S. work force eligible to retire. That would be 479 employees of the 1,140 that are on the records, now. In 1989 it would be 556 employees, which would be 49 percent. At the end of the year 1990 it would be 627 employees, which is 55 percent of the U.S. employees.

I have figures here on the Panamanian employees, if you would like those, also.

Mr. TAUZIN. Let's first concentrate on the condition of suffering that Mr. Abrams and others apparently want you to enjoy for a while longer, and whether or not that 47 percent—or 49 and 55 percent eventually—might make the decision to hang it up and come back to the states. What effect would that have on the Canal Zone operation?

Mr. DANY. One other statistic that I have before me that I think is real important——

Mr. TAUZIN. All right.

Mr. DANY [continuing]. Is that what they consider to be the top echelon of the Panama Canal Commission—those in high management——

Mr. TAUZIN. High management high technical positions.

Mr. DANY. There is a total of 139 that are considered in high management. At the end of this year 55.4 percent of those could retire, and in 1989 it would be 64.7 percent, and in 1990 it would be 71.2 percent.

Mr. TAUZIN. So we have a picture that you present of half of the top technical high management American positions in the Canal Commission operations are eligible to retire before the end of this year; as much as three-quarters will be eligible to retire by the year 1990, at the same time 55 percent of all the workers in the Canal Zone who are Americans would be eligible to retire.

Again, let me state the question. I wish you would give me some insight into that.

Mr. DANY. All right.

Mr. TAUZIN. What would happen to the Canal Zone and to the operations of the Canal, itself, if there was such a mass exodus of highly skilled and technical American employees?

Mr. LIPMAN. I think I can answer that.

Mr. TAUZIN. Please.

Mr. LIPMAN. My name is Don Lipman, and I am the representative up here from MEBA-NMU. I just arrived an hour ago, incidentally.

Mr. TAUZIN. Welcome.

Mr. LIPMAN. Thank you. The reason I think I can address it is because in addition to my union duties I am also the marine engineer training officer, which is one of the critical skills.

What would happen, in essence, especially in the pilot force, many of the senior pilots are eligible to retire. The way the Canal traffic moves, only pilots of a senior grade can take certain size ships. If those people would leave we would really be in bad trouble because the Panamanian pilots are at the lower end of the spectrum and are not anywhere near up to the skill level to be able to take those ships through. It would hurt a lot.

In the Marine Bureau, where I work, all of the senior management officials are American. If they left, then they have no Panamanian people in place to replace them.

Now, as a good union man, I know we can operate without senior management. But—— [Laughter.]

They still like to tell us that they're needed.

Mr. TAUZIN. At some point they are kind of important, right?

Mr. LIPMAN. Yes. They have to sign the check.

So that is kind of what would happen. We have certain critical skills without which the Canal cannot operate.

Another area is in the dredging division. All of the senior guys in the dredging division—the ones that keep the Canal clean—are American. When they leave there would be a big vacuum. And a lot of them are seriously contemplating leaving this year.

Mr. TAUZIN. Is that true generally? Can you all indicate for me if there is a lot of concern of Americans working there that maybe the time has come to leave?

Mr. MATROS. Sir, I would like to address that as one of those who is eligible to leave.

Mr. TAUZIN. Yes.

Mr. MATROS. My wife and I were discussing Friday night and when I get back we are going to determine the time this year—whether it will be early this summer or later in the year—at which time we will be leaving, basically because of the current situation.

If it were not for that, we would love to stay in Panama for a longer period of time. We enjoy being there with our family, we enjoy the country, we enjoy the Panamanian people. But under the current crisis we feel we just do not want to be subjected to this situation.

Mr. TAUZIN. Would anyone else like to comment.

Mr. DANY. Yes, I would like to. I can retire in May of 1990, and my wife, like I said in my opening remarks, was born and raised in the Canal Zone. She dearly loves that place, and I have spent all my adult life there. I have always loved living and working there. But we had planned, originally, to just kind of take it one year at a time after my eligibility for retirement, but we have decided that if the current situation still exists in the year 1990—in two years—that we will definitely retire. I can state that fellow employees that work in my office have expressed the same feelings. I know in our particular office that would encompass a percentage of about 90 percent of our U.S. employees.

Mr. TAUZIN. Mr. Rudy.

Mr. RUDY. Yes, sir. I can retire on the early retirement system in October of this year. As I previously stated, I was born in the Republic of Panama, and off and on I have been there approximately 30 years. I had planned on staying on with the Commission for at least another two years; however, with the present crisis and with

the uncertainty of where we are going
services in the future, I certainly have
ber—October 14, to be exact—I will hav
I have worked with the PDF for
aware of their capabilities. As the crisi
in my mind that it may become a very
situation.
To be fair, we do have PDF that are
the Cardenas area where I live, many
polite. They have done nothing to creat
ever, once you cross the boundary lin
town, you enter a new area, a new ba
the Guardia Nationale in these special
the treaty or are even aware of the pe
provided U.S. citizens working for the
nent in Panama.
These individuals are very unedu
paid. They are not a police force. Th
don't meet the professional standards
in the United States. So as a resu
occurs within the next six months wi
will do in October.
Thank you.
Mr. TAUZIN. Mr. Dunn wants to
Would you identify yourself, sir, and g
Mr. DUNN. Yes, sir. My name is Ro
dispatcher for the Panama Canal Co
work a rotating shift, which means ap
time I am away from home at night.
two children under four years old, ho
Nacional for the physical security of
I would like the man from the St
explain to me why we have the facili
is in danger to go downtown and try t
As far as the working situation is
and 20 days to go before I can retire.
Mr. TAUZIN. What happens then?
Mr. DUNN. They'll have to find a P
took me 14 years to learn the knowled
electrical system for the Panama C
people trained for this position; two
they have both stated emphatically
are getting out of there also.
Thank you very much.
Mr. TAUZIN. Thank you, Mr. Dunn.
Well, I am going to yield now to
before I do, I do have at least an ex
present today. Let me make a statem
Abrams, and perhaps eventually Mr
just talking about the convenience, o
of Americans who work in the Canal
most in the minds of us who make
overseas. But even if that were not o
cern was strictly the concerns about

urchase our goods and
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fe, who is 4'10", and my
depend on the Guardia
me while I am at work.
partment over there to
ere to use, and my wife
for my children.
rned, I have 11 months

nian to fill in for me. It
at I have to operate the
Company. We have six
n are Panamanian, and
s soon as they can they

lleague from Texas, but
n the State Department
I hope by Wyrough, Mr.
ltz will hear. We're not
the safety and security
That ought to be upper-
y for American workers
rn of ours, and our con-
ng the obligations to op-

erate the Canal in an efficient, effective manner for neutral shipping for the world—by the way, a canal on which this country depends for a great deal of its shipping still, and will depend upon it for some time.

If that alone were our concern, it would make sense for us to change our policy in regards to the way we are treating those who are giving their best efforts to keeping that Canal operating efficiently.

If a large number of American high technical employees end up deciding, as some of you have decided, that enough is enough, and decide to come home, our information is that the operations of the Canal, itself, would be in serious jeopardy.

What you have told me today indicates that many of you and many of your fellow workers are fast reaching that kind of a do or die situation with reference to your work with the Canal zone.

That kind of message ought to ring some bells in the State Department. And believe me, we're not through in terms of bringing that message home to those of authority within the Administration. And, if necessary, we are not through our activities on the floor of the house, and we're going to try to straighten out this policy, not only on behalf of the interest of safety and security of the American citizens who work there, but in the interest of our mandate to keep that canal operating efficiently and effectively.

I will now yield to the ranking minority member, the gentleman from Texas, Mr. Fields, who, as I have said, has done such an excellent job of bringing this bipartisan effort to the attention of the State Department.

Mr. Fields?

Mr. FIELDS. I appreciate that, Mr. Chairman. Again we come back to a real compelling question here, and that is: does our State Department represent you, or does it represent the Panamanian Government. To me the answer is obvious. It should be that the State Department represents Americans. That is one of the main purposes here today, to make sure that we bring our State Department back to focus.

Before I begin let me issue two apologies. First of all, I thought this was C-Span filming today; it is CBS and CNN. I hope we can get a copy from them, Mr. Chairman, so that we can send this to the people at the State Department.

Second, Ms. Cook, I owe you an apology, because you called me about three weeks ago, and at that point I told you that I thought that everything was going to be handled. I said that based on the fact that Embassador Sosa had indicated that he wanted to help. I didn't realize the State Department was working behind our backs to stop that.

Third, I knew what Chairman Tauzin and I were planning to do on the floor of the House. I felt convinced that my colleagues would do what they ultimately did, and I felt that the people on the other side of the Capitol would do the same thing. Again, little did I know that the State Department was going to work overtime to stop the Senate from acting.

So I apologize for giving you that bad information, but the information I gave you was based on what I felt was going to happen.

Based on the, let me just ask you—I understand that you and some other people met with Dick Wyrough, and perhaps others at the State Department. Let me ask you just to share with the chairman and myself some of that meeting, what was said.

Ms. COOK. That meeting was basically a fishing expedition for Mr. Wyrough and a man named Mr. Mayer, I believe. They were interested in gaining from us information concerning the monetary aspects of Panamanian life there. They inquired about the Panamanian's access to the Social Security Hospital. They wanted to know whether or not we had household help, and if we did, were we making the social security payments that were required by the government in order for these people to access the Social Security Hospital.

They wanted to know if we had been paying our phone bills. We don't pay our individual monthly phone bills. Those are deducted from the paychecks of all Panama Canal Commission employees that live in government housing. We do have long distance accounts with the INTEL service in Panama, and there are those who have made those payments for fear that if they were not made, their long distance service to their friends and families in the states would be cut off.

I, personally, have tested this and have found that, yes, my service is cut off. We have not made the payment to the INTEL service since the economic sanctions went into effect, and so now I have no long distance service from my home in Panama to anywhere in the outside world.

Mr. FIELDS. What was the interest in you? Or was there any interest?

Ms. COOK. There was none.

Mr. FIELDS. Was there any interest expressed in you and other American citizens working in the Canal zone?

Ms. COOK. No, sir, there was not. It was very frustrating. We attempted to provide them with information concerning our problems, and tried to gain a little insight as to their own perspective, and it played to deaf ears. We got no response.

Mr. FIELDS. Did you ask them, by chance, if they had talked to Ambassador Sosa?

Ms. COOK. We did——

Mr. FIELDS. In other words, who else—was there anyone else in this room who was with you in that meeting?

Ms. COOK. Yes. There was Colonel Kipp Cowan of Senator Thurmond's office who went with us to this meeting. He went with Loree Olsen and myself to the meeting.

Ms. OLSEN. I'd like to make a statement.

Mr. TAUZIN. Identify yourself for the record.

Ms. OLSEN. My name is Loree Olsen. My husband is a Panama Canal pilot in Panama. I appreciate you letting us all talk today.

In that meeting with the State Department we went in there generally to express our concerns. The first man we spoke to could barely keep his eyes open. Mr. Wyrough, when he came in, was immediately concerned—like she said—about asking about whether we had been paying our maids, if we had been paying our phone bills, how that was going to effect Panama. He wasn't concerned about us.

We got very frustrated. The conversation was going in circles. We ended the meeting. That's how frustrated we were.

Mr. FIELDS. Well, what was the reason given for not coming forward and working with the ambassador or working with President Delvalle in getting these privileges for you?

Ms. OLSEN. Well, my understanding was that this is something they did not want to work on, and it would involve the treaty, and that we got no confirmation there that he had expressed our concerns directly to Mr. Sosa—he, himself.

Mr. FIELDS. Well, could you kind of give us a flavor of what you said to the State Department about the necessities that you talked about just a moment ago: medication not being available, toiletries, paper, soaps. We were told that someone could not buy disposable diapers for their child. Did you talk about this with the State Department?

Ms. OLSEN. Well, I have a two-year-old, and a three-year-old, and that is a concern of mine in that the stores in Panama run out of diapers. Now, we may be able to shop there. If you go there and it's not there, what do you do? The shoppette has relieved that situation.

In regards to what we expressed, we expressed that our safety is our greatest concern—our security. We felt that their maneuvers, their sanctions with Mr. Noriega were not making the situation any better for anyone, and it wasn't working. We made a statement that if you'd like us all to leave for the summer while you get the situation corrected, we'll do that and come back when you're finished, because we don't like to be victims of these maneuvers of the State Department. At that time they made no statement to us.

Mr. FIELDS. Ms. Cook, did you also express some of the problems you were having to our embassy in Panama?

Ms. COOK. We have attempted, on many occasions, to contact someone of authority other than a secretary in the U.S. embassy in Panama. We have gotten no response from anyone there. They appear not to want to deal with us. This is very frustrating. We don't understand this. We have always been of the impression—being American myself, born and raised in the U.S. from Texas, I thought the U.S. embassies overseas were for the U.S. citizens overseas, whether they be living, travelling, on military duty. These are for U.S. citizens.

Well, in living in Panama, I have determined that the U.S. embassies are the U.S. Government's public relations division. They handle the problems of the people in whose country the embassy is located. No one who has asked for any assistance through our embassy during this affair has received any interest, much less any help.

Mr. FIELDS. Let me ask you what you think would happen if, by some legislative miracle, we were able to cut the PDF off from the privilege of shopping at our PX's and commissaries.

Ms. COOK. I think that it's about time that that occur. I think that that would eliminate a great deal of the contrabanding that is going on in Panama. For people who do not have commissary privileges, there are people on the streets in Panama who you can go to and buy a bottle of U.S. ketchup for $5. Basically——

Mr. FIELDS. Are these Americans or Panamanians?

Ms. COOK. No. These would be Panamanians down on the streets in Panama City. There are also, sadly enough, Americans who contraband. You can order anything you need with a 10 to 20 percent contraband surcharge on it and it will be delivered to your house.

Mr. FIELDS. Well, if these Panamanians are on the streets selling contraband, and if you go some place and you have the prospect of having your goods confiscated, then you would almost have to assume that the people who are on the street are operating under some cover.

Ms. COOK. You would think that. Yes, sir.

Mr. LIPMAN. Can I address that issue for one second, please. This business that Ms. Cook is talking about is a double-edged sword. Contrabanding is the secondary economy in Panama. As a matter of fact, within the last week they have had to lay off 17 employees at the Albrook Furniture Store because of lack of business. The commissary sales are way down, simply because the People in Panama don't have any money to buy anything. The GI's paycheck now only lasts for three days. They don't have any money. So the secondary economy is just kind of a ripple effect.

Mr. FIELDS. Mr. Lipman, let me ask you a question.

Mr. LIPMAN. Sure.

Mr. FIELDS. Mr. Derby delivered your testimony earlier since you had difficulty in arriving.

Mr. LIPMAN. That's another thing that has been curtailed is the air traffic out of Panama.

Mr. FIELDS. Right. But he talked about in your testimony the problems with health care. Could you elaborate a little bit what's happening to American citizens in Panama in the health care area?

Mr. LIPMAN. Well, we have a double concern there, really. In our union we have 2,200 Panamanian employees as well as the Americans. But if you want to specifically address the Americans, almost all, without exception, can use the facilities at Gorgas as far as our union is concerned. Any American citizen employed there can use Gorgas facilities if they choose to do so. They can use the downtown facilities if they want, because most of us have FEHBA, you know, the Federal Employees Health Benefits Plan.

However, the real impact on this is on the Panamanian employees because their health care—any employee that was employed after the treaty, which is a significant number because the treaty has been in effect for nine years now, they are limited to using the Seguro Sociales, Social Security Hospital. They are the provider. If you want to think of that in terms of an HMO, that's how it works. You don't pay, you don't get served.

Now, as of the end of this month of April their certificate which shows that they are paid up does not exist any more. We do not know what is going to happen at the end of this month. Their services have been seriously curtailed because they have been on strike and what not, so just getting in there has been a horrible chore, anyway, but now, come the end of this month, which is only two weeks away, they are going to be cut off. Period. It not only affects their health care for themselves, but for their whole family.

I know that we've talked a little bit about Gorgas as a possibility, but we are looking into other things. As a matter of fact, I just

talked to Mr. McAuliffe yesterday before I came here about alternate plans, because Gorgas—they just don't want to handle them. It is just too many people.

So we are looking at the possibility of an HMO. In fact, the Union has developed an HMO program to fit into this scheme of things to handle these people, which we have presented. But we don't know if we can do that, because there is some kind of a statutory bar—9670—that may not even let us do that. That's another area that concerns us.

Ms. OLSEN. Could I add something in respect of how our health care is for my children?

Mr. FIELDS. Please do.

Ms. OLSEN. At the Gorgas Army Hospital they are very limited in their doctors and nursing staff. For instance, when my child recently had a stomach problem or an eye infection you need to see a specialist. You don't need an emergency technician, you need to see a specialist. It can take up to three months to get an appointment.

Now, we have no alternative there except to try to find a doctor in the city. With this crisis in the city, you do not want to drive in with a small child in your car. Something could happen.

Now, Gorgas is available to us, but it is limited—very limited, sir, and many times medicines are not available. My other child has asthma. They run out of medicine a lot of times. I can't go get it downtown. If it is available downtown, many times it is out of date or expired.

Mr. FIELDS. Mr. Chairman, I am finished at this particular point, but I don't think we are finished in what needs to be done. I just hope that you continue to assert aggressive leadership, as you have. I can promise you bipartisan support, because this is a situation that demands immediate attention.

I think we have got to go back to the floor and make sure that not only our colleagues, but the American people are aware of the situation. And then we have got to go to the other side of the capitol and enlist help and continue to fight this and let our people in Panama—the Americans—know that they do have some people representing them, if not in the State Department, at least in the legislative bodies.

I can't think of anything that is more important that should be handled in an expedited fashion. I pledge to work with you, as I have done, and to move this with you.

Mr. TAUZIN. Well, I want to publicly thank the gentleman from Texas for his extraordinary cooperation and help as we have tried to move this crisis along in a way that resolves it favorably to the people of Panama, and hopefully in a way that guarantees the security of our American civilian and military employees in Panama.

The second request you made, Mr. Lipman—the more urgent request—temporary access for those employees to the U.S. military medical facilities in the Canal area, is one we take very seriously. The concern you have for the Panamanians who may be without medical facilities real soon, who have also been loyal and faithful employees of the Canal Commission are equally heard by these members today.

We will be meeting with the Canal Commission next week again, and we intend to suggest to them some possible solutions. We ask you to continue to input to us as that situation develops.

We are also going to be suggesting again to the State Department to look again at the situation, particularly in regard to access to medical requirements and prescriptions and medical care, not only for Americans, but for Panamanian workers who have been so loyal to the commission.

I want to thank you all.

I believe Mr. John Mattson is also here today and has not yet contributed. John, do you want to add anything to this hearing before we end and perhaps give some of your insights into the situation before we go?

Mr. MATTSON. Yes, sir. Thank you for giving me this opportunity. I am John Mattson. I am a marine engineer with dredging division in Panama. I came down to the Panama Canal in 1966, and have been there nearly 22 years now. Through those 22 years I have seen a whole spectrum of changes from the Canal zone through the treaty negotiations, to the situation that we now have.

It is very frustrating to live in the Panama area and work for the Canal at this time because there are so many needs by each one of us, and so many opportunities to fulfill those needs. A lot of fear and anxiety has built up just in our daily life cycle.

To go to work and have your wife tell you that she is going to go shopping, and to be told when you get to work to call first thing if you have heard of anything going on, because our information is all by rumors, and in everything we do we live on rumors.

So if things look safe and comfortable for a shopping trip into Panama City, our wives will venture in, never knowing exactly what is going to happen because sporadic demonstrations and things can pop up at any time, and you find yourself in the middle of something unplanned and unaware of.

So over a period of time what happens is this tension builds up, and it is shown in our daily life style. We don't sit around the dinner table and discuss family things any more. We sit around and talk about situations and incidents, and how to avoid them, and what happened to the person down the street, or the person that we worked with. We can't continue to do this and live like this month after month and year after year without taking a toll on each one of us.

I think there is a high degree of alcoholism, divorce, and just domestic problems. Children go to school on the bus and hear rumors and talk about what they overheard their parents talking about. The children live in fear and don't understand what is going on.

Around the outside of some of the schools the military PDF carry rifles there to protect the Canal area. They don't understand why they are always carrying the rifles, but there is that sense of fear when they see that. This is not a norm for the American citizen. It just continues like this.

Shopping is a very important thing because it gives our families a relief. It is that one opportunity for us to once again reunite ourselves and relax when we can shop in a PX and wander through a commissary. We don't need to buy something. We know that our wives want to pick and choose and look and leave without even

making a purchase, but it is an opportunity to let that tension subside for a few moments.

For those of us that don't have these privileges and opportunity, these tensions continue to build and build. They are felt in our work.

An American citizen working on the Canal was told that he is important, that he's there to make a transition work, that he's there to make a work force in the future of Panamanians by training them, and that he has an important position for the Commission, who is treated the way we have been treated through the language of the treaty that made no provision for us to have privileges when a situation like that which has developed in Panama right now was a mistake. If they were going to disallow us these privileges in the treaty, they should have allowed us an opportunity, in the case of a situation like this, to make provision for us, and it hasn't been done.

Our capabilities of training a workable Panamanian work force, which seems to be our sole purpose for being there now, is greatly jeopardized. I can't be training other engineers and other people to replace me in a couple of years if I don't have the right attitude. Morale is very low. It is one thing to teach somebody to do a job, but we can't transfer that high degree of morale that we should also be emphasizing into that position. If we just teach them to go about doing a job without any degree of pride and personal accomplishment, and they continue to do this job in the future with the same attitude in which we were able to teach them to do it with our morale so low right now, it may influence the future operation of the way that the canal is cared for.

Mr. TAUZIN. Thank you very much. I am glad you offered that.

Ms. Olsen, you wanted to add something to it?

Ms. OLSEN. I'm not sure if it is proper, but is there a question that I can pose at this hearing?

Mr. TAUZIN. Sure.

Ms. OLSEN. I would like to present this question to the United States Government. Do they feel that the Americans in the Panama Canal Commission work force there should remain in Panama until the year 1999?

Mr. TAUZIN. It's a good question. Perhaps it will be answered relatively soon, not by the U.S. Government, but by the decision, unfortunately, of those of you who are forced to make a decision you'd rather not make. That is what we are trying to avoid in these hearings and activities here in Congress and in our conversations with the Commission and the State Department.

Thank you all.

Mr. Lipman?

Mr. LIPMAN. Can I make just one remark in closing?

Mr. TAUZIN. Sure.

Mr. LIPMAN. I would like to tell you that the Panama Canal Commission, itself, Mr. McAuliffe, Mr. Monfredo, have been very forthright with us. They have had meetings with the Union, they have been very up front. Believe me, they are the most harassed people down there. They are really under the gun trying to get this problem straightened out. So I would like to get that on the record.

Mr. TAUZIN. I'm glad you did, because I believe Mr. Fields will acknowledge the same thing, the Commission has been most forthcoming with us, and I think most frank and direct about their feelings about the situation, as well. They are to be generally commended.

I yield to the gentleman from Texas.

Mr. FIELDS. As you can tell, I'm fairly exercised at the State Department, but in making that comment you also need to be aware, if you are not aware, that the people who do serve on the Panama Canal Commission were going down for a meeting—a week ago?

Mr. TAUZIN. A week ago.

Mr. FIELDS. A week ago, and they were denied a quorum for that meeting because the State Department would not allow their representative on the Panama Canal Commission to attend the meeting. That is pulling the rug out from under you people even more. That is pulling the rug out from under the American people. You ought to be angry. I am angry about it. I will guarantee you something is going to be rectified.

Mr. TAUZIN. If the gentleman will yield, the Commission has to take certain actions in order to adjust to the changing situation daily that you're witnessing, and, unfortunately, experiencing. And when the State Department denied the Commission its ability to have a quorum, it effectively denied the Commission, which has been very cooperative, I believe, in trying to relieve the situation of American workers there—denied them the legal right to do some of the things they needed to do to give you relief. That is why the gentleman and I are so angry.

Mr. FIELDS. And if the gentleman will yield.

Mr. TAUZIN. Yes.

Mr. FIELDS. One last thing. Please don't misinterpret one aspect of what we're saying. I'll be completely honest. If I had been in Congress in the 1970's I would have voted against implementing legislation for the treaty. But we have a treaty, and we are a nation of laws. We have to honor that treaty, whether we agreed with its initiation and the president signing and ratifying, regardless. It is a treaty. None of us are trying to undo what is the Panama Canal Treaty. That is not our purpose in being here today, or any of the inflammatory statements we have made about the State Department.

But I think there is some fairness, and there is an obligation owed to you by our government, and in my analysis I don't see our government doing what is necessary in representing you in Panama, and specifically the State Department.

Thank you, Mr. Chairman.

Mr. DANY. Mr. Chairman?

Mr. TAUZIN. Yes, Mr. Dany?

Mr. DANY. I would like to make a statement in reference to Mr. Lipman's comments just a few minutes ago. I am here to represent the views of the Panama Canal Employees that I work with. Many of them had called me the night before I left, along with the other representative here today. One of the biggest complaints or concerns is the lack of communication from the Panama Canal Commission to its employees.

The U.S. military has had several meetings where General Lefke or General Warner have gotten up and spoken to their men, and also to their dependents to keep them updated and informed of the current situation in Panama.

As of this time, there has been no such meeting with the Panama Canal Commission. We have requested it. It has not taken place.

All the meetings that have taken place with the Commission have been on a limited basis. They have always had a limited number. The last one that—I think you were at it Becky—was limited to 12 people.

There are no newspapers, except for the military newspaper, the "Tropic Times." Therefore, the communications that the Panama Canal Commission employees are getting is through third- or fourth- or fifth-hand rumors, and that is what we are living on. We're not getting the facts. And that is the problem. Everybody is concerned about their situation. They don't know what the situation is, a lot of times.

They (The Commission) have a hotline, and several times—I know one particular case when I called, I was told something that I knew for a fact was not true. They (The Commission) were telling anybody who called that day, to inquire about a meeting that we (The Concerned Employees) had scheduled that night to voice concerns about the present situation. The Commission was telling people when they called this hotline number that there was no such meeting, when they (The Commission) was well aware of the meeting. It turned out that several people didn't attend that meeting, because of the information they received on the hotline.

We don't even have an evacuation plan if that needed to come about. The U.S. military does have one. Last night I talked to my wife on the phone and she tried to go to a meeting that General Lefke had planned for the school teachers with the Department of Defense to inform them about the present situation and to explain the evacuation program, because a lot of those teachers live in the Republic of Panama. My wife was not permitted—she just wanted to go and find out, more or less for her own point of view, what was going on. She was denied access into that meeting by the superintendent of the schools there. It was limited only to the teachers.

I am not saying that they have the right or don't have the right to do that, but I believe that the Commissioner of the Canal should inform us of what is going on.

Mr. TAUZIN. Mr. Dany, your point is well taken. Let me update you. As a result of meetings that we had with Commission representatives last week, evacuation contingency plans are now being formulated. Not only is the Commission active in that regard, but apparently the State Department and White House are now actively involved in broad scale contingency planning.

Mr. DANY. I understand.

Mr. TAUZIN. The Commission will also, I understand, be distributing forms to workers and dependents in the Canal zone in connection with updating their information for purposes of that contingency planning. So I believe we have everyone working in that direction for you, and we'll carry your message about meetings and

more and better communications in our next conversations with the Commission representatives next week.

Mr. DANY. We understand that that was done.

Mr. TAUZIN. Yes.

Mr. DANY. And we appreciate that effort by the Commission, but we think it is too late. It should have been done a long time ago. This crisis started back in June.

Mr. TAUZIN. At least we are working towards that now.

Mr. DANY. We appreciate that.

Mr. TAUZIN. I want to congratulate all of you first of all for the courage you have shown already in the face of this crisis, and empathize and sympathize with you in regard to some of the concerns you have for your children and your wives and your families, and for all of those workers of the Canal zone who are, in fact, living under these difficult times. I congratulate you for coming; for, indeed, leaving behind loved ones not knowing what may happen while you are here in the states as this crisis unfolds in Panama. I know it is a difficult time for you.

Mr. Fields and I and members of my subcommittee are extremely conscious of the hardships that you are enduring in the meantime.

I want to say something that we have not yet said in regard to this crisis. In all of our hearings and all of the public statements we have made in reference to this crisis we have emphasized that the Canal is operating, and that it is operating efficiently and effectively, and that except for a few incidents of pilots not showing up or a few power outages in the pipeline and a few interruptions in telephone service during the strikes and riots our message to the world community was that the canal is operating effectively and efficiently, and we have stressed that continually.

I am going to make a statement now that I have not yet made, and I think needs to be made, and that is that the continued, effective, efficient operation of the Canal is now in jeopardy, and that unless the State Department and our U.S. Government does something immediately to rectify the sad condition of the U.S. and Panamanian loyal work force and their dependents, and to upgrade their conditions immediately, give them access to needed medical supplies and facilities, and to give them secure access to shopping facilities, that every evidence that comes before my subcommittee is that more and more of the highly skilled technical American and Panamanian employees of the Canal operations are going to very shortly begin making decisions to leave, and when that exodus occurs—if it does occur—the information we have is that the operations of the Canal will be thrown into serious jeopardy.

This committee, this chairman, intends to take all this to the floor of the House very shortly. I will begin pressing for more Congressional action to move this Administration forward into dealing effectively with the hardships and difficult situation American workers and Panamanian workers are experiencing as they try to do their job under the treaty—to effectively operate and maintain the Canal and to provide for the orderly transition of Panamanian control.

Now, it has gotten that serious. Your message of personal hardship and your message of personal frustration and anger and low

morale is one I hope the State Department hears loudly and strongly today, because it is a message that just doesn't imply that American citizens aren't being treated fairly; it implies that a very critical canal may soon be in jeopardy because important technical personnel will no longer tolerate those conditions indefinitely.

I want to thank you for the courage, frankness, and forthrightness you have shown today. And as we conclude these hearings today, I wish that you, when returning to the Panama Canal Zone, will take a message back to the workers and the families whom you love and work with there, and that is: where there may be some deaf ears in some departments, this Congress is listening, and is angered by what we hear, and our frustration will not endure forever.

We are going to take this strong message to the floor of the House for you. Please take that message back.

I will yield now to the ranking minority member, Mr. Fields.

Mr. FIELDS. Mr. Chairman, I will be extremely brief. I just want to personally associate with the remarks you just made, and pledge support from our side. And also say that I wholeheartedly concur with your analysis of the jeopardy that we are placing the canal in and its operations in at this moment, and work with you to rectify that situation.

Mr. TAUZIN. Thank you, Mr. Fields.

Again, thank you all. Please take that message back to the workers and families in Panama. There are many in the Congress who care and who want to help whenever we can.

Ms. COOK. Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you very much.

With that, the meeting is adjourned.

[Whereupon, at 12:00 p.m., the hearing was adjourned.]

[The following was received for the record:]

SUBCOMMITTEE ON THE PANAMA CANAL/OUTER CONTINENTAL SHELF

BACKGROUND MEMORANDUM
April 18, 1988

TO: Subcommittee Members and Staff

FM: PC/OCS Subcommittee Staff

RE: The impact of the situation in Panama on American employees of the Panama Canal Commission and their families.

The Subcommittee has scheduled a hearing for Wednesday, April 20 at 10:00 P.M.. to hear from witnesses concerning the impact of the situation in Panama on American employees of the Panama Canal Commission and their families.

There are approximately 1,100 Americans employed by the Panama Canal Commission, most of whom hold job positions critical to the continuous operation of the canal. In addition, these employees have family members living with them in Panama, bringing the total number of Americans in Panama directly and indirectly associated with the Canal to more than 3,100.

In recent weeks, the U.S. government has taken measures to enhance the security of military personnel and their dependents in Panama, through an increased troop presence that includes hundreds of military police. However, Americans associated with Canal do not directly benefit from this increased security since they live and work outside military reservations.

Many of the actions taken by the U.S. government to put pressure on the Noriega regime have had a direct impact on both American and Panamanian employees by the Canal Commission.

For instance, the Panamanian employees face extreme difficulty in getting medical care because access to public hospitals requires participation in the Panamanian social security system. Payments into the social security system by the Commission on behalf of these employees has been withheld by the Administration without contingency planning for alternative health care. For weeks the Commission has endeavored to gain temporary access to U.S. military health care facilities for these employees, but a solution has not been reached as of this date.

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American employees, especially pilots who must travel at all hours of day and night, have been stopped and harassed at checkpoints set up and operated by the Panamanian Defense Forces. Most Canal Commission employees have experienced some harassment or have had difficulty travelling to and from work.

It is especially difficult for American employees to obtain adequate food and sanitary supplies. Despite separate legislative initiatives by both the House and Senate urging the Administration to permit these Americans to use military commissaries during the crisis, that accommodation has been actively opposed by some Administration officials.

The Canal Commission and the Department of Defense have worked together to give employees limited access to military "shopettes" (the equivalent of a convenience store), but employees report that the food stuffs available through these outlets is insufficient to maintain balanced diets. In a separate effort to deal with food shortages, the Canal Commission has arranged for food packages which are sold to employees, but the Noriega regime has declared these packages to be contraband subject to confiscation. At least one employee has had a package taken, although the circumstances surrounding the taking are yet unclear.

Shopping for food in Panamanian communities exposes Americans to the potential of serious bodily harm and harassment. Apprehension among American employees has increased markedly following an incident in which two Canal Commission employees were detained, beaten and charged with criminal offenses while shopping for food in a Panamanian city. Even when shopping is done in Panamanian communities, food supplies are scarce and the risk of theft and mugging is heightened for Americans who are known to have cash in this cash-starved nation.

The operation of the Canal has continued through this crisis only because Commission employees have endured personal hardships in the face of a Federal policy which many of whom view as isolating them as primary targets for harassment or worse should the crisis escalate. Morale among Commission employees, especially the Americans, is understandably at an all time low. Many American employees, faced with increased concerns for the safety of their families, have relocated or have made plans to relocate their families outside Panama.

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It is the concern of the Subcommittee Chairman and Ranking Minority Member that as tensions increase and more employees move their dependents out of Panama, many Americans in sensitive job positions will consider resigning or retiring rather than endure these hardships. This poses a direct threat to the continuous operation of the Panama Canal. The possibility of losing highly-trained and experienced American personnel is great because a large number of them are presently eligible for retirement. An informal survey of canal pilots, for example, revealed that nearly two-thirds of the Americans are eligible for retirement.

Testimony

of

District 1, MEBA/NMU

Before the

Merchant Marine & Fisheries Committee

Panama Canal/OCS Subcommittee

Oversight Hearing

On the Impact of the Political Situation in Panama on
Panama Canal Commission Employees

Wednesday, April 20, 1988

Presented by: Donald L. Lipman
District 1, MEBA/NMU Representative
Panama

Mr. Chairman. My name is Don Lipman. I am accompanied by Michael Derby, Assistant to the President and Counsel of our organization. On behalf of District No. 1 - MEBA/NMU, I am here today representing more than 2300 employees of the Panama Canal Commission, which is about one third of the Commission's employees. We are involved in all phases of the Canal's operation. I can assert without question that these 2300 employees are essential to the safe and orderly operation of the Canal.

We thank you for holding this oversight hearing today. We thank you for all that you have done already to ameliorate the situation for the Commission's employees. Every one of our members is deeply grateful for your efforts. We need your immediate help in two areas.

First, we need for all Commission employees and their dependents to be given temporary access to U.S. military PX's and commissaries in the Canal Area. This matter is becoming more and more urgent as the crisis drags on. Some of these employees are U.S. citizens and some are not. But all are loyal employees of the U.S. Government and all are essential, as I said earlier, to the safe and orderly operation of the Canal. Our government should do everything it can to provide for their welfare for the duration of this crisis.

Even more urgent is our second request — temporary access for those employees to U.S. military medical facilities in the Canal Area.

This has become an important issue, because, as you may know, as part of its pressures against the Noriega regime, the Administration has forbidden the Commission, a Federal agency, from making contributions into the Panamanian social security system.

Under Panamanian law, the employer (in this case the Commission) contributes to the Panamanian social security system for all Panamanian citizen employees hired after October 1, 1979, the effective date of the Panama Canal Treaty. These employees are covered by the Panama social security system. If the workers do not have up-to-date proof that these contributions are being made, then they and their dependents cannot receive Panamanian social security benefits which include medical care.

Clearly, this is a serious situation for these workers that should be corrected as soon as possible. We would urge, as a solution, that they and their dependents be permitted to receive emergency medical treatment at the U.S. Army Hospital in the Panama Canal area. This would be a solution restricted to the duration of the present crisis and only for emergency, not routine, care -- thus covering events such as childbirth or accidents.

This is extremely important to these loyal employees of the United States. Because it is for emergency care only, it is a limited situation that should not overwhelm the U.S. medical facilities there. And above all, it is fair and just.

We would be most appreciative if this problem could be addressed in the important and praiseworthy legislative efforts you already have underway or in your efforts with the Administration to improve the situation of civilian employees and their families during the present crisis.

Mr. Chairman, before I conclude, I would like to make briefly three additional points. First is the utter callousness of the State Department and their willingness to sell down the river employees of the Canal operation which is so essential to our overall security. It's fine for

assistant secretaries of State, who have never heard a shot fired in anger, to sit in their plush offices and declare that these employees should "suffer" along with everyone else in Panama. These armchair rambos do not have to wonder every night where the next day's meal will come from or what will happen if they, their wife, or their child happens to become seriously ill. Second, this callousness is shortsighted as well. It punishes our friends, upon whom we rely to operate the Canal, and it punishes them unnecessarily. Both of our requests could be met simply and easily, and no amount of hiding behind treaties or agreements can obscure the fact that where there's a will, there's a way.

And finally, this callousness is unfair and indeed obscene when members of Noriega's military regime can march into these facilities and avail themselves, without any hindrance, of the same advantages we request here for our members. It seems to me that we are penalizing our friends while our enemies are laughing behind our backs all the way to the bank.

In closing, Mr. Chairman, on behalf of the employees of the Commission and all of our members, I thank you for the effective work you and your fellow Members of Congress are doing now to help these employees and for any assistance you can render in the future to help us on these two important matters.

I would be pleased to answer any questions you may have.

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